

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

AMEREN ILLINOIS COMPANY)	
d/b/a Ameren Illinois,)	
Petitioner,)	Docket No. 16-0262
)	
Rate MAP-P Modernization Action Plan)	
– Pricing Annual Update Filing)	

POSITION STATEMENT AND SUGGESTED CONCLUSIONS
OF AMEREN ILLINOIS COMPANY

Dated: October 13, 2016

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I. INTRODUCTION

Ameren Illinois Company (AIC) proposes a net revenue requirement (after consideration of the filing year and reconciliation year revenue requirements, with interest and the return on equity collar) of \$1,015,855,000. That is \$14,420,000 less than the net revenue requirement that the Commission approved in AIC's 2015 electric formula rate update proceeding, Docket 15-0305. Staff agrees that AIC's proposed revenue requirement here, and the costs reflected in that revenue requirement, are prudent and reasonable and should be approved by the Commission.

There are only two contested adjustments in this case, both proposed by intervenors.

First, the Illinois Industrial Energy Consumers and the Citizens Utility Board (jointly, IIEC/CUB) proposes two adjustments (or a single, two-part adjustment) to reduce the costs that AIC actually incurred in 2015 for the support services it received from Ameren Services Company (AMS).

Second, the Attorney General (AG) proposes to disallow advertising expenses related to Avian Protection, Workplace Diversity, and Energy Infrastructure Modernization Act (EIMA) reliability investments.

II. PROCEDURAL HISTORY

AIC initiated this proceeding under the Energy Infrastructure Modernization Act (EIMA), 220 ILCS 5/16-108.5, on April 15, 2016, by filing updated cost inputs to its performance-based formula rate, along with supporting testimony, exhibits, and the documentation required by the Commission's Part 285 Rules.

IIEC, CUB, and the AG filed petitions to intervene.

On June 30, 2016, Staff and the intervenors filed direct testimony. Of note, IIEC/CUB's joint witness Michael P. Gorman offered testimony addressing AMS charges incurred by AIC in 2013 and 2014.

AIC filed a motion to strike portions of this testimony, arguing that EIMA barred the Commission from revisiting the 2013 and 2014 expenses, and that the testimony was therefore irrelevant and inadmissible. Specifically, AIC argued that EIMA requires the Commission to provide for recovery of AIC's actual cost of delivery service, based on the Company's most recently filed FERC Form 1, plus the Company's projected plant additions for the current year. AIC explained that its most recent FERC Form 1 contained 2015 data, and that the expenses at issue in this proceeding were therefore the 2015 expenses, not the 2013 or 2014 expenses. AIC further argued that EIMA expressly excludes from the Commission's review a reassessment of the prudence and reasonableness of expenses in prior years. Because the 2013 and 2014 information was outside the statutory scope of the proceeding, AIC maintained that it was irrelevant and

must be stricken from the record.

In addition, AIC argued, the Commission had established the prudent and reasonable amount of AIC's actual costs to be recovered in rates, based on AIC's 2014 FERC Form 1, in Docket 15-0305. AIC stated that it had submitted evidence in that docket supporting the reasonableness and prudence of the AMS costs about which Mr. Gorman testified in this case, and that no party in Docket 15-0305 had contested those expenses. However, AIC explained, Mr. Gorman's testimony in the instant proceeding invited the Commission to reexamine, reopen, and reverse an increase in AMS costs that the Commission had approved in Docket 15-0305. AIC maintained that this invitation constituted an improper collateral attack on the Commission's order in Docket 15-0305, and should be stricken for that reason as well.

The ALJ granted AIC's motion, and struck as irrelevant portions of IIEC/CUB's direct evidence that addressed 2013 and 2014 AMS costs. (Notice of ALJ Ruling (July 21, 2016).) The ALJ found that these portions of Mr. Gorman's direct testimony "constitute[d] a collateral attack on the Commission's 2013 and 2014 proceedings under the Energy Infrastructure Modernization Act, and [were] therefore outside the scope of this proceeding, pursuant to Section 6-108.5(d)(3) of the Public Utilities Act." *Id.*

IIEC/CUB sought interlocutory Commission review of the ALJ's order striking the testimony via a petition for interlocutory review. IIEC/CUB argued that Mr. Gorman's testimony should not have been stricken because it proposed only prospective adjustments, and because these adjustments were based on new evidence.

In opposition to IIEC/CUB's petition, AIC explained that the formula rate process under EIMA consists of a systematic process whereby the Commission can review incremental increases or decreases in a utility's cost of service each year. AIC stated that revisiting a past cost increase at an unspecified time in the future, as Mr. Gorman's testimony proposed to do, would undermine the formula rate mechanism. AIC noted that, to avoid that absurd scenario, EIMA limits the scope of the Commission's annual review—prior decisions on the prudence and reasonableness of costs incurred in a given calendar year "shall be final upon entry of the Commission's order and shall not be subject to reopening, reexamination, or collateral attack" in future proceedings. AIC stated that IIEC/CUB's position was contrary to EIMA because the stricken IIEC/CUB testimony asked that the Commission look again at year-to-year increases considered in prior proceedings, even though they were expressly identified and supported by the prior record.

AIC also maintained that IIEC/CUB's stricken testimony constituted a collateral attack on the Commission's order in Docket 15-0305, since the intent of the proposal contained in that testimony was to reverse or eliminate an increase in AMS charges that occurred in 2014, and the effect of the proposal was to roll back and restate 2015 charges to the 2013 level. AIC noted that Mr. Gorman's proposal started from the 2013 level of AMS charges to establish the reasonable level in the instant case, in an attempt to undo the Commission's approval of the increase in AMS charges that occurred between 2013

and 2014 and was approved in Docket 15-0305.

The Commission denied IIEC/CUB's petition for interlocutory review on August 24, 2016, and the IIEC/CUB testimony regarding the 2013 and 2014 levels of AMS charges remains stricken from the record.

On July 28, 2016, AIC filed rebuttal testimony responding only to those portions of Mr. Gorman's testimony that had not been stricken from the record. On August 23, 2016, Staff and Intervenors filed rebuttal testimony. On September 2, 2016, AIC filed surrebuttal testimony.

An evidentiary hearing was held on September 14, 2016 before the ALJ at the Commission's offices in Springfield. There was no cross-examination of witnesses.

The parties filed simultaneous initial briefs on September 27, 2016, and simultaneous reply briefs on October 11, 2016.

III. OPERATING REVENUES AND EXPENSES

A. Contested Issues

1. Ameren Services Company Charges

a. AIC Position

AIC explains that its revenue requirement includes charges from AMS, an affiliate that provides many of the support services that AIC requires to deliver public utility service to Illinois customers.

AIC notes that Staff performed a review of AMS charges in this proceeding, and Staff proposes no adjustment to AIC's 2015 AMS charges. However, AIC explains, IIEC/CUB proposes to decrease the level of actual 2015 AMS charges reflected in AIC's revenue requirement to correct what its joint witness, Michael P. Gorman, speculates are undercharges to other affiliates served by AMS.

AIC initially notes that IIEC/CUB specifically proposed two adjustments to AIC's 2015 AMS charges, based on Mr. Gorman's testimony. AIC points out that IIEC/CUB takes the position that with the two adjustments, AIC's remaining AMS charges are at a "reasonable level." AIC notes that much of IIEC/CUB's wide ranging discussion on AIC's AMS charges, however, goes well beyond those two adjustments. AIC explains that discussion is, therefore, irrelevant. AIC maintains that the only real issues in dispute are IIEC/CUB's two adjustments, which, AIC argues, are factually unsupported and fail legally.

AIC also cautions that the Commission should consider IIEC/CUB's position on AMS charges in post-hearing briefs with heightened skepticism. AIC states that IIEC/CUB's post-hearing briefs make bold statements about a lack of record evidence on AMS charges that are wrong and irrelevant; there is substantial evidence to support the reasonableness of AIC's 2015 AMS charges. AIC states that IIEC/CUB's post-hearing

briefs also misstate IIEC/CUB's legal burden in this case; IIEC/CUB must state its adjustments to AIC's 2015 AMS charges with particularity and support them with evidence, but, AIC argues, IIEC/CUB did not. AIC states that IIEC/CUB's post-hearing briefs obscure the fact that IIEC/CUB's witness, Mr. Gorman, had extensive AMS cost data, which he could have used to analyze AMS costs in a number of ways, but he failed to use it. AIC states that the brief is otherwise plagued with mischaracterizations of the record evidence, including benchmarking analyses that AIC introduced in this case, which demonstrate that AIC's Administrative and General expenses are consistently lower than the expenses of AIC's utility peers. What is left in IIEC/CUB's post-hearing briefs, AIC explains, is rhetoric. AIC reminds that the Commission must base its decision on the record evidence, however, and not rhetoric. And, AIC explains, the record evidence demonstrates that all of AIC's 2015 AMS charges, including a 3.5% increase over the 2014 cost level, are prudent and reasonable, as explained below. Thus, AIC maintains, the Commission should find that the full amount of those AMS charges is recoverable.

AMS Charges. AIC explains that AMS charges represent the cost of services essential to utility operations, under an arrangement that allows AIC to obtain the services efficiently and cost-effectively. AIC explains that AMS is a centralized service company under the Public Utility Holding Company Act of 2005, administered by the Federal Energy Regulatory Commission (FERC). 42 U.S.C. 16451, *et seq.* AIC states that AMS charges to AIC represent the many support functions necessary to utility operations, such as legal, information technology (IT), human resources, corporate governance, treasury, controllers, and tax services. These services are largely invisible to retail customers, AIC explains, but they are essential to the provision of safe and reliable utility service.

Pursuant to the General Services Agreement (GSA) approved by the Commission in Docket 09-0234, AIC explains, AIC and other Ameren affiliates share the cost of the services they receive from AMS, to leverage economies of scale and achieve synergy savings. *See generally Cent. Ill. Light Co., et al.*, Docket 09-0234, Order (July 14, 2010) (approving Amended and Restated General Services Agreement). AIC explains that the AMS arrangement provides AIC an efficient and cost-effective means of obtaining the Administrative and General services that it needs to operate.

AIC acknowledges that the costs of the essential support services that AMS provides can be a sizeable portion of its overall operating costs. In this case, AIC notes, expensed and capitalized AMS charges represent \$75 million of AIC's net revenue requirement, with \$73 million as the operating expenses portion. At the same time, AIC explains, it cannot avoid these types of expenses, since, like any business, AIC requires support services to operate. AIC notes, for example, that it must have tax compliance and human resources support to operate, as it must have steel conductor to deliver electricity. AIC explains that AMS provides a substantial portion of these essential services to AIC, and, AIC continues, the record evidence demonstrates that AMS does so in a cost-effective manner.

AIC maintains that the AMS arrangement is working. From 2014 to 2015, AIC explains, total AMS costs charged to all Ameren affiliates increased only 3%, while total AMS costs charged to AIC increased only 3.5%. (That 3.5% increase is before allocation

to AIC's electric distribution operations, and before certain self-disallowances of AMS charges, such as certain AMS employee incentive compensation.) AIC explains that it has identified and addressed the cost drivers for the total 3.5% increase in this case. The drivers are explained in detail below.

Moreover, AIC explains, in 2014 and 2015, AIC's electric distribution Administrative and General expenses recorded in FERC Accounts 920-935—which are composed in substantial part of charges for AMS services—were consistently less than AIC's industry peers' Administrative and General expenses. AIC explains that, like other utilities, AIC must obtain the services that it needs to operate from somewhere—internally, from nonaffiliated vendors, or from a centralized service company, like AMS. AIC explains that Ameren witness Mr. Adams prepared benchmarking analyses that confirmed that, regardless of their source, AIC's Administrative and General expenses compare favorably to the Administrative and General expenses of AIC's utility peers. AIC explains that Mr. Adams compared AIC's 2014 and 2015 Administrative and General (and general non-fuel Operating and Maintenance expenses) on a per-customer basis to the expenses of AIC's national and Midwest utility peers: all electric companies, electric companies with 500,000 to 2 million customers, electric companies without a generation business, and combination electric and gas companies. AIC states that Mr. Adams' analyses showed that AIC's costs incurred to obtain the services it needs to operate were in the first and second quartiles compared to the group average in 31 out of 32 comparison groups in 2014 and 2015. In other words, AIC explains, AIC's Administrative and General expenses—which include AIC's AMS charges—are consistently lower than other utilities' expenses. AIC states that this analysis supports the conclusion that the AMS arrangement is not only working, but also working well.

IIEC/CUB's Two Adjustments. AIC explains that IIEC/CUB advocates two adjustments to AIC's 2015 AMS charges proposed by its witness, Mr. Gorman. AIC notes that both adjustments relate to total AMS costs allocated to AIC and its affiliates. First, AIC states, IIEC/CUB proposes to reverse what IIEC/CUB erroneously believes is a shift in total allocated AMS costs from Ameren Corporation in 2014 to AIC in 2015. Second, AIC states, IIEC/CUB proposes to increase the percentage of total AMS costs allocated to Ameren Transmission Company (ATC) in 2015, thus decreasing the percentage allocated to AIC that year.

AIC explains that, together, IIEC/CUB's two adjustments would reduce the \$73 million of AMS charges included as operating expenses in AIC's net revenue requirement by \$6.4 million. AIC points out that IIEC/CUB maintains in post-hearing brief that the adjustments would “bring the amount of AMS cost charged to AIC to a reasonable level.” Thus, in effect, AIC explains, IIEC/CUB concedes that the \$66.6 million of AMS charges that IIEC/CUB does not propose to adjust is prudent and reasonable.

AIC notes that IIEC/CUB's arguments in post-hearing brief on AMS charges, however, go beyond IIEC/CUB's two adjustments. AIC state that this places AIC in the unfortunate position of having to rebut myriad irrelevant allegations. Despite this, AIC maintains, the Commission should not lose sight that IIEC/CUB proposes only two adjustments, both related to total AMS costs allocated to AIC and its affiliates. AIC

reminds that both adjustments are without merit and should be rejected, for the reasons explained below.

Ameren Corporation Related Adjustment. Regarding IIEC/CUB's first adjustment, AIC explains that Mr. Gorman noted that AMS costs charged to Ameren Corporation decreased 2014 to 2015, from \$19.5 million to \$14.3 million, when AMS costs charged to AIC increased 3.5%. From this, he charged that AMS costs to Ameren Corporation in 2014 had "shifted" to AIC in 2015. To "reverse" this alleged "shift," Mr. Gorman proposed to normalize AMS charges to Ameren Corporation in 2015 at their 2013 level, reducing AIC's 2015 AMS charges. AIC notes that, in initial brief, IIEC/CUB advocates this adjustment. In reply brief, however, IIEC/CUB did not separately defend it.

AIC explains that the record evidence shows that AMS costs charged to Ameren Corporation in 2014 did not shift to AIC, or to any other Ameren affiliate, in 2015.

Initially, AIC believes that Mr. Gorman's adjustment indicates that he misunderstands the distinction between AMS costs that are directly charged and AMS costs that are directly allocated, under the Commission-approved GSA. AIC explains that AMS costs that are directly charged are charged to one affiliate for services that are used by that affiliate and only that affiliate, while AMS costs that are directly allocated are charged to more than one affiliate for services that are shared by those affiliates. Direct allocated charges are allocated to the affiliates sharing the services based on allocation factors described in the Commission-approved GSA. AIC asserts that the distinction between directly charged and directly allocated AMS costs is important: when the services that give rise to AMS costs that are directly charged to an affiliate are no longer needed by that affiliate, those services go away. Directly allocated AMS services and the attendant costs, however, may remain regardless of whether one affiliate stops receiving the services.

AIC explains that the decrease in Ameren Corporation's AMS charges 2014 to 2015 resulted from a decrease in AMS costs directly charged, and not directly allocated, to Ameren Corporation for services related to the divestiture of Ameren Corporation's merchant generation business in 2013 and 2014. In 2014, AIC explains, Ameren Corporation incurred \$7.3 million in AMS costs that were directly charged to Ameren Corporation for four divestiture-specific services. In 2015, after the divestiture was final, the costs for those services was \$143,000. AIC explains that nearly all of the \$7.3 million in 2014 AMS divestiture services costs directly charged to Ameren Corporation were non-labor (e.g., outsourced) costs. In other words, AIC explains, Ameren Corporation had \$7.3 million in non-labor AMS costs in 2014 for divestiture services that were not there in 2015—they went away. AIC explains that AMS does not continue to provide services related to a transaction that was completed in 2014. AIC maintains that neither the 2014 divestiture-related services, nor the attendant costs, were "shifted" to AIC or any other Ameren affiliate.

AIC further explains that the AMS costs directly charged to Ameren Corporation in 2014 and 2015 had no bearing on the 3.5% increase in AMS costs charged to AIC those years. Separately, AIC explains, AIC's total AMS charges moderately increased from

2014 to 2015 due to three primary drivers: inflation; annual increases in AMS employees' salaries and wages; and changes to AIC's specific business needs in 2015. In 2015, AIC explains, AIC required increased controllers support from AMS to maintain its books and records. AIC also required increased AMS IT support for several specific business needs. For example, AIC recently installed hundreds of thousands of electric and gas smart meters under its Advanced Metering Infrastructure program, consistent with AIC's EIMA obligations. AIC explains that related AMS IT services costs to AIC went from \$5.5 million in 2014, to \$5.8 million in 2015. AIC explains that it also required increased AMS IT support for other business needs in 2015, including enhanced cyber security needs and updates to its customer bill format and its meter reading practices to comply with the Commission's 2015 revisions to the Part 280 Rules in 83 Ill. Admin. Part 280. AIC explains that the costs for those IT support services increased from \$500,000 in 2014 to \$800,000 in 2015.

AIC concludes that the un rebutted evidence shows that the increase in AMS charges to AIC, and decrease in AMS charges to Ameren Corporation, from 2014 to 2015 were mutually exclusive. And, AIC states, AMS's 2014 divestiture-specific non-labor services costs to Ameren Corporation were not, and could not be, reallocated, as IIEC/CUB charges, because those services are no longer performed.

AIC explains that IIEC/CUB's adjustment related to Ameren Corporation's AMS charges also fails EIMA's requirements for adjustments. AIC points out that EIMA requires IIEC/CUB to state its objections to AIC's 2015 costs "with particularity" and to provide "evidence . . . in support thereof." 220 ILCS 5/16-108.5(d)(3). Neither normalization of a cost incurred in a prior period nor the fact that a cost differed from a cost in a prior period may alone serve as that evidence. 220 ILCS 5/16-108.5(d)(3), (c)(1). AIC maintains that IIEC/CUB's post-hearing briefs fail to even acknowledge these limitations. Further, AIC contends, IIEC/CUB's Ameren Corporation related adjustment contravenes them, in two ways.

First, AIC notes, IIEC/CUB concedes that the sole basis for the adjustment is this: "AIC's AMS cost has continued to increase, [while] the amount of AMS cost allocated to AIC's parent, Ameren Corporation, has concurrently decreased." Although the difference in AMS cost levels year over year, legally, cannot (and does not) constitute evidence of the imprudence or unreasonableness of the costs, 220 ILCS 5/16-108.5(c)(1), AIC points out that IIEC/CUB offers nothing else. And, AIC continues, although IIEC/CUB must state its objections "with particularity," 220 ILCS 5/16-108.5(d)(3), AIC points out that IIEC/CUB does not identify any particular AMS service or cost that "shifted" from Ameren Corporation to AIC in 2015, any particular AMS service that AIC should not have received in 2015 or that Ameren Corporation should have received, or any particular AMS cost charged to either company that is unreasonable in amount.

Instead, AIC explains, IIEC/CUB's only argument is that "[w]hile the actual services provided by AMS to Ameren Corporation in 2015 may have gone away, the actual AMS cost did not, since both total AMS costs and the amount charged to AIC continue to increase." However, AIC explains, the conclusion that "the actual AMS cost did not [go away]" is based on no particular fact, or even logic. AIC reiterates that this supposition

simply reflects IIEC/CUB's and Mr. Gorman's misunderstanding of how the Commission-approved GSA allocates AMS costs to affiliates, as explained.

Second, AIC notes, IIEC/CUB concedes that its Ameren Corporation related adjustment normalizes AMS costs charged to Ameren Corporation to the level in the prior divestiture period. IIEC/CUB asserts in post-hearing brief that "Mr. Gorman's [sic] proposed a reduction in AMS costs for AIC to reverse the declining allocation of AMS cost to Ameren Corporation by reflecting the 2013 level of AMS cost allocated to Ameren Corporation." AIC points out that IIEC/CUB never explained why the 2013 cost level is appropriate for 2015. And AIC maintains that, for the reasons explained above, it's not. Regardless, AIC states, EIMA does not favor normalization adjustments, because EIMA uses actual costs to reset rates each year. 220 ILCS 5/16-108.5(d)(3). This eliminates any need for costs to be adjusted to some subjectively determined "normalized" level.

AIC concludes that nothing about IIEC/CUB's adjustment related to Ameren Corporation's charges has foundation in the record evidence or withstands the legal burdens that EIMA imposes on IIEC/CUB. Although this failure makes responding to that adjustment a challenge, AIC maintains it fully rebutted the argument anyway.

ATC Related Adjustment. Regarding IIEC/CUB's second adjustment, AIC explains that Mr. Gorman testified that he "examined the 2015 AMS charges," and that he thinks that the AMS charges allocated to ATC for controllers, supply services, corporate planning, executive, IT, general counsel, and federal regulatory legal policy services are "not sufficient." Mr. Gorman specifically focused only on AMS IT charges, supposing that "[i]t is unreasonable to assume that a transmission company can operate without a significant information technology function." Therefore, AIC explains, Mr. Gorman proposed to shift 2015 AMS charges from AIC to ATC, to increase ATC's allocation of these AMS services' costs to a flat 10%. AIC states that Mr. Gorman claimed that percentage allocation is more reasonable, unless AIC can show that it's not. AIC notes that, in initial brief, IIEC/CUB advocates this adjustment.

AIC explains that the record evidence does not support Mr. Gorman's allegations here and his ATC related AMS cost adjustment, either.

AIC explains that AMS costs were not under-allocated to ATC in 2015. AIC explains that there is good reason why AIC's share of AMS IT costs that year is greater than ATC's share. Put simply, AIC and ATC have different business needs, so it makes sense that they would be allocated different levels of AMS costs. AIC explains that AIC's IT needs and ATC's IT needs, in particular, are not the same. AIC states that it has 1.2 million electric distribution customers. ATC has zero retail customers. Therefore, AIC explains, unlike ATC, AIC has significant customer billing and support needs, which require IT services. AIC explains that AMS's IT function, for example, directly charged AIC in 2015 for Customer Service System billing software support. AIC explains that AMS's IT function directly also charged AIC in 2015 for support services related to the new bill format and meter reading changes required by the Commission's revised Part 280 Rules. These are services ATC does not need. AIC further explains that ATC uses less of the data systems available to Ameren affiliates that receive AMS IT services. In

short, AIC maintains, in 2015, ATC required less IT support than AIC did.

AIC also explains that the AMS costs charged to ATC and AIC in 2015 were charged in accordance with the GSA, and specifically with the direct and direct allocation cost methodology and allocation factors in the GSA. AIC points out that Mr. Gorman's flat 10% allocation factor, however, would not be consistent with the GSA. AMS may not simply charge ATC a flat 10% allocation factor, without ignoring the GSA cost allocation methodology. AIC notes that a proceeding to review and amend the GSA, including new allocation factors, is pending as Docket 16-0287. Until the Commission approves new or revised allocation factors, AIC explains, AIC must use the ones in the current GSA.

AIC points out that Mr. Gorman never explained why he thought ATC's 2015 AMS charges for controllers, supply services, corporate planning, executive, general counsel, and federal regulatory legal policy were "not sufficient." AIC notes that he didn't identify any AMS controllers, supply services, corporate planning, executive, general counsel, or federal regulatory legal policy services received by AIC in 2015 that AIC didn't require that year. That is, he offered no reason whatsoever to shift the cost of services that AIC received from AMS in 2015 to ATC. Related to his focus on AMS IT costs in particular, AIC also notes that Mr. Gorman offered no examples of the IT costs of other transmission systems, be they of similar size to ATC or larger or smaller. AIC notes that Mr. Gorman also did not take into account that, as the Commission is well aware, ATC participates in MISO, a regional transmission organization that plans and operates an integrated grid and that has its own operations center, or that MISO's systems might obviate the need for some or all the IT functions that Mr. Gorman assumed that ATC must need, but never identified. Indeed, AIC notes, Mr. Gorman conceded in discovery that he didn't analyze any of the AMS IT systems used by AIC and ATC, and that his allegation that ATC's AMS IT services charges were "not sufficient" isn't based on any analysis of transactions between AMS and ATC. AIC summarizes that Mr. Gorman did nothing to support the flat 10% allocation factor he proposes.

For these reasons, AIC explains, Mr. Gorman's flat 10% allocation factor is not only unsupported, but also arbitrary. AIC explains that the Commission may not disregard the level of an expense shown by the evidence in favor of an arbitrarily different amount. *Slattery*, 373 Ill. 31, 61-62 (1939); *Bus. & Prof'l People for Pub. Interest v. Ill. Commerce Comm'n*, 136 Ill. 2d 192, 230-34 (1989) (reversing rates set by the Commission based on a Staff analysis where "Staff arbitrarily selected the midpoint of the rate range and made arbitrary assumptions on the success of the various positions of the parties and the intervenors"); *Citizens Util. Bd. v. Ill. Comm. Comm'n*, 166 Ill. 2d 111, 126, 133-34 (1995) (reversing Commission decision that arbitrarily reduced the utility's coal-tar clean-up expense because it did not rest on adequate substantiating evidence).

AIC explains that IIEC/CUB's adjustment related to ATC's AMS charges also fails EIMA's requirements for adjustments.

AIC notes IIEC/CUB's assertion that "Mr. Gorman proposes to increase the percentage of AMS cost charged to ATC to at least 10% for any cost functions for which Mr. Gorman found that ATC is not receiving a sufficient allocation of AMS cost. Mr.

Gorman believes this is a reasonable allocation of cost *absent a showing that a different allocation is prudent and reasonable.* Under EIMA, however, AIC explains, it is incumbent upon IIEC/CUB to make the requisite showing—to state its adjustment “with particularity” and to support its proposed flat 10% allocation factor with evidence. 220 ILCS 5/16-108.5(d)(3). AIC maintains this is something that IIEC/CUB did not do. AIC notes that IIEC/CUB repeatedly states in post-hearing brief that the basis for its adjustment related to ATC is Mr. Gorman’s “examination” of AMS charges, and specifically AMS IT charges, to ATC in 2015. But, AIC reiterates, Mr. Gorman admitted in discovery that he did not analyze any transactions between AMS and ATC. That is, AIC maintains, although AIC gave him every AMS charge to AIC and ATC (and other affiliates) in 2015, and specifically every AMS IT charge to AIC and ATC, as explained below, Mr. Gorman admitted that he did not examine that data.

AIC emphasizes that what Mr. Gorman *did not* do to examine AMS IT charges to AIC and ATC stands in sharp relief with what Staff *did* do to examine those charges. AIC notes that Staff asked for, and AIC provided: (i) detailed descriptions and explanations of the use of the AMS IT function by AIC and ATC, including the number of PCs used for AIC and ATC tasks (shared versus designated), the number of servers used for AIC and ATC tasks (shared versus designated), the amount of digital storage capacity allocated for AIC and ATC, the amount of digital storage capacity actually used for AIC and ATC, the number of employees for AIC and ATC, and the number of network accounts for AIC and ATC; (ii) explanations of how the costs, calculations, and allocation percentages for the use of the AMS IT function by AIC and ATC; (iii) the allocation factors that were used to charge AMS IT costs to all affiliates in 2015, an explanation of why and how each allocation factor charged an appropriate portion of the IT services costs to each affiliate, and an example of an actual service request to which each allocation factor was applied and an explanation of the basis for choosing that factor; (iv) an explanation of why the relative percentage of total AMS IT costs to AIC and other affiliates is appropriate; and, (v) for each affiliate, the breakdown of their AMS IT charges by direct costs charged and indirect costs charged. AIC explains that Staff examined all this information related to AMS IT charges to AIC and ATC in 2015. AIC notes that Mr. Gorman had this information too. But, AIC points out, Staff, unlike Mr. Gorman, proposed no adjustment.

As far as AIC can tell, Mr. Gorman’s “examination” of AMS IT charges to AIC and ATC really boils down to this supposition: “It is unreasonable to assume that a transmission company can operate without a significant information technology function.” AIC asserts that supposition, however, does not support the conclusion that it is used to draw—that AMS IT services and cost allocations to ATC are “not sufficient.”

AIC concludes that nothing about IIEC/CUB’s adjustment related to ATC’s AMS charges, like IIEC/CUB’s adjustment related to Ameren Corporation’s AMS charges, has foundation in the record evidence or withstands the legal burdens that EIMA imposes on IIEC/CUB. Although this failure makes responding to this adjustment as well a challenge, AIC maintains it fully rebutted the argument anyway.

Calculation Errors in IIEC/CUB’s Two Adjustments. AIC asserts that there is another reason the Commission should reject IIEC/CUB’s two adjustments (or single two-

part adjustment) to AIC's 2015 AMS charges. Mr. Gorman's math in calculating the two adjustments is incorrect.

In direct testimony, AIC explains, Mr. Gorman calculated that his proposed adjustment to AIC's 2015 AMS charges reduced AIC's revenue requirement by \$8 million. AIC explains that this was a significant overstatement, because in determining his adjustment, Mr. Gorman did not directly assign costs to AIC's business lines or allocate to business lines with cost-based allocators. Instead, AIC explains, he simply applied a general wages and salaries allocator to allocate AMS charges to AIC's utility plant and operating expense accounts. For instance, he allocated over 90% of AMS costs that should be assigned directly to AIC's transmission function to AIC's electric distribution business line. As a result, AIC explains, Mr. Gorman's direct testimony adjustment was overstated by about 14%.

AIC states that, in his rebuttal testimony, Mr. Gorman attempted to correct his calculations. For example, he revised his adjustment to recognize, for the first time, that, in calculating its revenue requirement, AIC self-disallows certain AMS costs, like financial-based AMS employees' incentive compensation, per EIMA. Yet, AIC explains, Mr. did not fully correct his calculations. AIC explains that, although Mr. Gorman proposed a two, or a two-step, AMS cost adjustments, he failed to take each adjustment into account when calculating the other. This is error. AIC explains that Mr. Gorman's adjustment to Ameren Corporation's 2015 AMS charges would necessarily shift AMS cost allocations to other Ameren affiliates, including ATC. However, rather than starting from that shifted cost level to calculate his adjustment to ATC's 2015 AMS charges, AIC points out, Mr. Gorman started again from the same total AMS cost baseline. Therefore, AIC explains, Mr. Gorman's two adjustments double-disallow 2015 AMS charges.

For this reason as well, AIC maintains, the Commission should reject IIEC/CUB's AMS cost adjustments.

The Extensive AMS Cost Data Provided by AIC. AIC suggests that, in an effort to excuse its failure to support its AMS cost adjustments with evidence as EIMA requires, 220 ILCS 5/16-108.5(d)(3), in post-hearing briefs, IIEC/CUB repeatedly accuses AIC of not providing certain AMS cost data. AIC maintains IIEC/CUB's accusations are at best misleading. AIC states that it provided IIEC/CUB—and all the parties to this proceeding—extensive AMS cost data. AIC concludes that, given IIEC/CUB's unfounded accusations, despite all of Mr. Gorman's touted qualifications, he apparently either did not engage with that data, or he chose to ignore it.

AIC states that in direct testimony, it explained how it evaluates, processes, and controls AMS services and their costs. AIC specifically explained that its management personnel are designated buyers for the products and services that AMS provides AIC. AIC notes that buyers review the AMS products and services catalog, which documents AMS products and services, and the attendant cost allocations. AIC states that the record evidence shows that AIC buyers then meet annually with AMS service providers to review AMS services to be provided in the coming year. AIC explains that these meetings: (1) allow the AIC buyer to obtain a thorough understanding of the service to be provided; (2)

ensure that the AMS service provider understands AIC's goals and objectives related to the service; and (3) allow AIC and AMS to discuss the costs associated with the service, including how the total costs are allocated to AIC and the actions that the service provider has taken, or that AIC can take, to manage and control the costs.

AIC states that its direct testimony also explained how the costs for the services that AMS provides are charged to AIC. AIC explains that the GSA approved by the Commission in Docket 09-0234 describes the basic principles for AMS cost assignment: (1) AMS costs charged to affiliates reflect AMS's actual costs incurred to provide the related services; (2) the costs of AMS services performed for a single affiliate are charged directly to that affiliate; and (3) when AMS services are shared and direct charging is not feasible, the costs are allocated to the affiliates who share those services on some reasonable basis, such as construction expenditures, sales volumes, or other allocation factors, as described in the GSA.

AIC further explains that its direct filing in this case, as in AIC's past formula rate update proceedings, described significant variances from 2014 to 2015 in its Administrative and General expenses recorded in FERC Accounts 920-935 and included in the 2015 revenue requirement. AIC explains that it records expenses for the types of services that AMS provides—corporate leadership, financial services, human resources, information technology, legal, etc.—to these expense accounts. If variances in those accounts drove significant changes in the costs of service 2014 to 2015, AIC notes, AIC's direct case identified and explained those variances.

AIC observes IIEC/CUB's assertion that AIC's "responses to data requests were not adequate to allow for a critical review of the reasonableness of the AMS costs charged to AIC." AIC explains that, on the contrary, the failure to undertake a critical review is Mr. Gorman's. AIC explains that it also provided extensive information in support of its AMS charges in discovery, including:

- a detailed report, in native Excel format that can be pivoted and sorted, of all monthly AMS charges to AIC and other affiliates in 2015, including 25,595 rows of AMS services and cost data broken down by affiliate, description of each service provided by project name/service request name and number, allocation factor used, allocation factor name, service request type (i.e., direct, indirect allocated), FERC Major/Minor account, utility split, and labor/non-labor split;
- detailed calculations of and explanations for all allocation factors used to allocate AMS costs to AIC and other affiliates in 2015, including an Excel spreadsheet in native format with 52 tabs, one for each 2015 allocation factor;
- an explanation for how a specific allocation factor is determined to be used for a specific service;
- a summary report of total 2015 AMS costs allocated to AIC and other affiliates,

broken-down by AMS functional area;

- a reconciliation of 2015 AMS costs charged to AIC as reported on FERC Form 60 and IL Form 21, and descriptions of how AIC reports AMS costs in FERC Form 1 and IL Form 21;
- the total amount of AMS costs charged to AIC and each affiliate in 2015, including the total amounts that are direct charges and the total amounts that are allocated charges;
- a detailed explanation of how AMS costs charged to AIC are distributed between AIC's retail distribution and federal transmission costs of service;
- sample journal entries to AIC's books, containing Uniform System of Accounts names and numbers and transaction descriptions for AMS charges to AIC, both for direct and allocated costs;
- a description of how AIC reviews Business and Corporate Services (B&CS) costs each month, which are the source of most AMS expenses, and a detailed report of B&CS cost variances as of December 2015, including labor and expenses charged to AMS and allocated to AIC and external expenses directly charged to AIC;
- 66 pages of AIC buyers' checklists, which document discussions between AIC 153 buyers and AMS providers for projected 2015 expenses;
- definitions for and specific examples of "indirect overhead costs" and "general overhead" costs, and descriptions of how those costs are allocated at the account level;
- detailed data support for the \$5.5 million increase in AMS costs charged to AIC 2014-2015, including a native Excel file that can be pivoted and sorted, which contains 46,292 rows of 2014 and 2015 AMS costs charged to AIC;
- detail regarding the project names and costs comprising the \$7.3 million AMS divestiture-specific services costs charged to Ameren Corporation in 2014; and
- all AMS IT services costs allocated to ATC in 2015, including a description of the services provided, the applicable allocation factor, and a break-down of costs by direct assigned, direct allocated, or indirect costs, supported by a native Excel file, which can be pivoted and sorted, containing over 400 rows of data with each AMS IT service to ATC, by project name/service request number, functional area providing the service (Information Technology or IT), allocation factor, service request type, and labor/non-labor split; for all direct assigned costs, an explanation of how the costs align with service requests by ATC; and for all indirect and/or direct allocated costs, the allocation factor used to assign

costs to ATC.

Despite all this discovery, AIC explains, IIEC/CUB still argued in post-hearing briefs that Mr. Gorman needed “a complete list of all the AMS services provided to AIC in 2015 and prior years, to allow for a variance assessment of the cost for each of the AMS services provided in 2015 to the services and costs provided in 2014. This more detailed variance analysis is needed to confirm each service provided by AIC from AMS was prudent in 2015 and the charge from AMS to AIC for each service provided was reasonable.” AIC notes that Mr. Gorman asked for this variance analysis for the first time in his rebuttal testimony.

AIC explains that it provided the information that IIEC/CUB says Mr. Gorman needed. AIC reiterates that, in discovery, AIC gave Mr. Gorman every 2014 and 2015 AMS charge to AIC, including a description of the service provided, the attendant cost to AIC, whether the cost was direct charged or direct allocated, the allocation factor used, the FERC account to which the charge was recorded, the jurisdictional operations to which the charge was attributed, and whether the charge was for AMS labor or non-labor (labor benefits, outsourced services, and other expenses) services. Importantly, AIC notes, it provided Mr. Gorman that cost data in native Excel format with field lists and pivot tables—meaning that Mr. Gorman could sort and compare the data however he desired.

AIC further explains that it also satisfied Mr. Gorman’s eleventh-hour request for an AMS cost variance assessment by FERC account. AIC explains that it sorted and compared the 2014 and 2015 AMS cost data it had already provided IIEC/CUB in discovery to create a variance analysis of AMS costs by FERC Account. AIC observes that variance analysis simply confirmed what AIC had already explained in testimony: the 3.5% increase in AMS costs charged to AIC from 2014 to 2015 was due to inflation, increases in AMS employees’ wages and salaries, and increases in the specific services that AIC requires, such as increased IT support for cyber security.

Still, AIC explains, IIEC/CUB repeatedly claimed in post-hearing briefs that AIC “refused” or “failed” to provide information to enable Mr. Gorman to analyze AIC’s 2015 AMS charges. AIC explains, however, that what IIEC/CUB characterizes as refusals and failures to provide information were actually proper legal objections to improper data requests. AIC states the Commission’s rules and the ALJ’s Case Management Order in this case provide a process to resolve discovery disputes. See 83 Ill. Admin. Code 200.350 (requiring consultation among parties and “reasonable attempts to resolve differences” regarding discovery); 83 Ill. Admin. Code 200.370; Case Mgmt. Order at II.A. AIC explains that, if IIEC/CUB disagreed with AIC’s objections, it was incumbent upon IIEC/CUB to follow those dispute resolution procedures. AIC points out that IIEC/CUB did not. Absent such effort, AIC contends, IIEC/CUB may not claim that AIC “refused” or “failed” to provide any information. See, e.g., *Ill.-Am. Water Co.*, Docket 11-0767, Order at 183 (Sept. 19, 2012) (noting that although Staff complained of the utility’s failure to provide information, Staff had not followed established procedures to compel discovery,

and rejecting Staff's position).

In sum, AIC states that IIEC/CUB and its witness Mr. Gorman had substantial AMS cost data. AIC does not know what Mr. Gorman did or did not do with that data. AIC only knows that IIEC/CUB's claims that Mr. Gorman lacked the data necessary to assess AMS costs are false. AIC contends that any lack of understanding of the data (or effort to engage with it) cannot serve as the basis for a cost disallowance.

Burdens of proof. AIC maintains that there can be no real dispute as to what AIC's burden of proof is. EIMA specifically addresses what evidence is to be presented regarding formula rate updates and how it is to be received:

The Commission shall apply the same evidentiary standards, including, but not limited to, those concerning the prudence and reasonableness of the costs incurred by the utility, in the hearing as it would apply in a hearing to review a filing for a general increase in rates under Article IX of this Act.

220 ILCS 5/16-108.5(d).

Under Article IX of the Public Utilities Act, AIC explains, a utility makes a prima facie case by providing the Commission with a statement of its costs. "Once a utility makes a showing of the costs necessary to provide service under its proposed rates, it has established a prima facie case, and the burden then shifts to others to show that the costs incurred by the utility are unreasonable because of inefficiency or bad faith." *Peoples Gas Light & Coke Co. v. Slattery*, 373 Ill. 31, 61- 62 (1939) (holding that the utility need not come forward in its case in chief with evidence that anticipates opponents' objections); *Apple Canyon Lake Prop. Owners' Ass'n v. Ill. Commerce Comm'n*, 2013 IL App (3d) 100832, ¶ 54 (Mar. 5, 2013); *Ill. Bell Tele. Co. v. Ill. Commerce Comm'n*, 327 Ill. App. 3d 768, 776 (3d Dist. 2008); *Ameren Ill. Co.*, Docket 15-0305, Order at 46 (Dec. 9, 2015) ("In other words, while the burden to establish the reasonableness of an expense is initially on the utility, it shifts to the party proposing the adjustment [to that expense]. . . .").

AIC contends it would be impractical for a utility to anticipate every possible objection to its filing, or the wide array of information, data, and schedules within it. See *Slattery*, 373 Ill. at 61-62. Therefore, AIC maintains, opposing parties also bear a burden a burden of proof: "Once the plaintiffs set forth a prima facie case, the burden of production shifts to the defendants to come forward with evidence." *Ambrose v. Thornton Township Sch. Trustees*, 274 Ill. App. 3d 676, 680 (1st Dist. 1995). Moreover, AIC notes, Illinois common law requires an opposing party to produce evidence "sufficient to support a finding," not mere conjecture. *Franciscan Sisters Health Care Corp. v. Dean*, 95 Ill. 2d 452, 463 (1983) (internal quotations omitted). The utility's prima facie case will prevail if no proof to the contrary is offered. *Diederich v. Walters*, 65 Ill. 2d 95, 100-03 (1976); see also *Ambrose*, 274 Ill. App. 3d 681.

AIC explains the law is clear that rate case parties bear the burden of production in support of their own adjustments to the utility's cost data. "[E]ach party proposing a

result should bear the burden of adducing evidence in support of that proposal.” *Ill. Commerce Comm’n on Its Own Motion v. Ill. Consol. Tel. Co.*, Docket 94-0042, 1995 Ill. PUC LEXIS 828, at *103 (Dec. 6, 1995). “Where a party asks a court to believe a proposition and to base a finding thereon in his favor, the law casts the burden on him of furnishing the evidence upon which such finding can legally rest.” *Bell v. School Dist.*, 407 Ill. 406, 416 (1950). See also *Chicago v. Ill. Commerce Comm’n*, 133 Ill. App. 3d 435, 442– 43 (1st Dist. 1985) (dismissing “the erroneous assumption that a utility has the burden of going forward on any and all issues which are conceivably relevant to the reasonableness of its proposed rates” and noting that once a utility establishes its rates are necessary to provide service, “the burden then shifts to others to show that the costs incurred by the utility are unreasonable because of inefficiency or bad faith”); *City of Pekin*, 02-0352, Order, 2004 Ill. PUC LEXIS 21, *11 (Jan. 22, 2004) (the “party seeking affirmative relief bears the burden of proof”).

AIC states that EIMA is fully and expressly consistent with these general principles. “During the course of the hearing, each objection shall be stated with particularity and evidence provided in support thereof, after which the utility shall have the opportunity to rebut the evidence.” 220 ILCS 5/16- 108.5(d).

Thus, AIC explains, the utility files its cost data—which AIC did—to establish a prima facie case. The other parties then carry the burden of production—objections stated with particularity and supported by evidence—to shift the burden back to the utility.

AIC acknowledges that IIEC/CUB argues in post-hearing briefs that the burden of proof falls “squarely on” AIC and that AIC has “attempt[ed] to reverse the burden of proof.” AIC explains that IIEC/CUB misunderstands its burden of proof. IIEC/CUB is wrong, in light of the law explained above and EIMA’s express language.

AIC asserts that IIEC/CUB waived its argument that AIC alone bears the burden of proof anyway, because IIEC/CUB failed to support that argument with citation to legal authority. Further, AIC points out, IIEC/CUB fails to offer any authority that would excuse IIEC/CUB from the burden to support its claims and allegations in this case. AIC notes that legal arguments must be supported by legal authority. See Ill. Sup. Ct. R. 341(h)(7) (legal briefs must contain “[a]rgument, which shall contain the contentions of the appellant and the reasons therefor, with citation of the authorities and the pages of the record relied on”). Arguments not supported by legal authority are waived. See, e.g., *Fuller v. Justice*, 117 Ill. App. 3d 933, 942-43 (2d. Dist. 1983) (“The well-established rule is that bare contentions without argument or citation of authority do not merit consideration on appeal. Moreover, it has also been held that contentions supported by some argument, but by absolutely no authority do not meet the requirements of Supreme Court Rule 341. . . . Since plaintiff has failed to offer more than conclusory arguments . . . we would be justified in considering her argument waived.”). Therefore, AIC maintains, the Commission may discard IIEC/CUB’s argument. See, e.g., *Ill. Commerce Comm’n on its own Mtn.*, Docket 01-0539, First Notice Order at 53-54 (Jan. 7, 2004) (holding that the Commission “cannot consider” an argument where the proponent “cites no legal authority in support of its argument”); *Citizens Util. Bd.*, Docket 03-0592, Order at 29-30 (July 21, 2004) (finding, where the proponent “cites no legal authority in support of its contention,” the proponent

“has waived its right to assert this argument and we will not consider it”); *see also People v. Sutton*, 375 Ill. App. 3d 889, 895 (1st Dist. 2007) (holding, where defendant “cite[d] no legal authority supporting his assertion,” defendant’s argument was “deemed waived and need not be addressed on appeal.”).

AIC explains that IIEC/CUB also misunderstands legal burdens in two additional ways. First, AIC notes that IIEC/CUB thinks that AIC must prove the reasonableness of costs that are not related to AIC. But, AIC maintains, this is something that AIC is not required to do. 220 ILCS 5/7-101(2)(ii) (prohibiting Commission access to information regarding affiliate transactions not related to the gas or electric utility.)

Second, AIC notes that IIEC/CUB argued in post-hearing briefs that AIC should be required to prove that it did not somehow receive AMS services or costs it should not have received. AIC asserts, however, that it is not required to prove a negative. *See, e.g., Antioch Milling Co. v. Pub. Serv. Co.*, 4 Ill. 2d 200, 209 (1954) (holding a utility is not required to embark upon a full dress justification of its rate structure); *Ethyl Corp. v. EPA*, 51 F.3d 1053, 1064 (D.C. Cir. 1995) (upholding agency decision rejecting interpretation of “burden of proof [that] would be virtually impossible for an applicant to meet, as it requires the proof of a negative proposition”). AIC maintains that it is not AIC’s burden to disprove IIEC/CUB’s unsupported allegations. Rather, AIC asserts that IIEC/CUB bears the burden to support its adjustments—with particularity and with evidence—which IIEC/CUB has not done.

AIC explains that it met its initial burden of proof when it made its direct filing. That filing included cost data and documentation required under EIMA and the Commission’s rules, including AIC’s actual 2015 costs of electric distribution service as reported on its FERC Form 1 and substantial supporting documentation required under Part 285. *See* 220 ILCS 5/16-108.5(c); 83 Ill. Admin. Code, Part 285. The data and documentation included numerous schedules and cost data specifically related to AIC’s 2015 AMS charges. *See, e.g.,* WPB-2.4a, WPB-2.4b, WPB-2.4c, WPB-2.5a, WPB- 2.5b, WPB-2.5c, WPB-2.7a, WPB-2.7b, WPB-2.7c, WPB-2.8a, WPB-2.8b, WPB-2.8c, C-2.15, WPC-2.15, C-11.2a, C-11.2b, C-11.2c, C-11.2d, C-11.2e, C-11.2f, C-11.2g, C-11.2h, C-11.3a, WPC-23. Under Illinois law, AIC maintains, that is all that AIC had to do to satisfy its initial burden of proof. *See Slattery*, 373 Ill. at 62-63. Indeed, AIC maintains that it provided more with its direct case (such as a variance analysis, explanations of how AIC evaluates and purchases AMS services and the attendant costs, and descriptions of how AMS costs are allocated under the GSA), as explained below, than was sufficient to meet its initial burden of proof.

AIC explains that the burden then shifted to IIEC/CUB to state, with particularity, valid objections to AIC’s filed 2015 cost data. 220 ILCS 5/16-108.5(d). AIC explains that IIEC/CUB failed to meet that burden. AIC asserts that the Commission may reject IIEC/CUB’s AMS cost adjustments on this basis alone.

AIC initially notes that IIEC/CUB’s witness, Mr. Gorman, argued in testimony that because AIC’s 2015 AMS charges were 3.5% greater than 2014 AMS charges, AIC bore a burden of submitting additional and substantial evidence with its direct filing to

demonstrate the prudence and reasonableness of each 2015 AMS charge. AIC summarizes Mr. Gorman's logic—such as it is—as follows: (i) the Commission found AIC's 2014 AMS charges to be reasonable; (ii) the 2015 AMS charges are (slightly) greater than the 2014 AMS charges; (iii) the presumption should be that the 2015 charges are imprudent and unreasonable until proven otherwise by AIC. But, AIC explains, this reasoning directly conflicts with EIMA: "The sole fact that a cost differs from that incurred in a prior calendar year or that an investment is different from that made in a prior calendar year shall not imply the imprudence or unreasonableness of that cost or investment." 220 ILCS 5/16-108.5(c)(1).

Further, AIC notes, the Commission has rejected adjustments supported by conjecture analogous to that provided by IIEC/CUB here. In Docket 05-0597, AIC explains, Staff proposed to remove millions in general and intangible plant from Commonwealth Edison's rate base, alleging that the Commission had allocated the plant away from rate base in a prior proceeding concerning a divestiture. Staff did not identify any plant that was not used and useful, arguing instead that the utility was obligated to produce evidence that its distribution operations required the disputed plant once Staff raised an objection. *Commonwealth Edison Co.*, Docket 05-0597, Order on Reh'g at 17 (Dec. 20, 2006). The Commission stated its "review of the proceeding begins with the assumption that its directive in a previous order has been followed," and found that "no evidence has been offered to support Staff's proposed adjustment." *Id.* Therefore, it rejected Staff's position. *Id.* Here, AIC states, IIEC/CUB needed to provide some evidence apart from the 3.5% increase in AMS costs charged to AIC 2014 to 2015 to shift the burden of going forward to AIC. AIC maintains that IIEC/CUB did not do so.

AIC points out that Mr. Gorman did not provide evidence to support either of his two adjustments, as explained above. AIC reiterates that the only basis Mr. Gorman offered for his Ameren Corporation related adjustment, for example, was that he did not understand why Ameren Corporation's AMS charges went up at a time when AIC's AMS charges went down. AIC explained, and so the recoded evidence demonstrates, why Ameren Corporation's costs decreased and AIC's costs increased, and why the two aren't related. AIC maintains that Mr. Gorman's lack of understanding is not evidence, and thus cannot shift the burden back to AIC to present additional evidence. AIC further notes that Mr. Gorman did not contend any particular AMS cost charged to AIC in 2015 was not charged in accordance with the GSA. He did not contend that any particular AMS cost charged to AIC in 2015 was imprudent or unreasonable in amount. And he did not identify any particular AMS service provided or cost charged to AIC in 2015 that he contended AIC did not require.

AIC maintains that, irrespective of whatever the burden of proof may be on whichever party, the substantial weight of the record evidence is clear: AIC has fully rebutted any allegation—however groundless—that any portion of its actual 2015 AMS charges is imprudent or unreasonable.

IIE/CUB's Mischaracterizations of the Record Evidence. AIC cautions the Commission to be wary of statements in IIEC/CUB's post-hearing briefs. AIC explains that IIEC/CUB repeatedly wrongly claims that AIC provided "no evidence" on topics

irrelevant to IIEC/CUB's two AMS charges adjustments. AIC asserts that, at best, these claims grossly mischaracterize the record, and at worst, they attempt to mislead the Commission. Either way, AIC maintains, IIEC/CUB's claims are wrong: there is evidence on each topic.

For example, AIC points to IIEC/CUB's claim that AIC "does not provide evidence justifying" the increase in total AMS costs, AMS costs to client companies, and AMS costs included in rates despite the 2013-2014 divestiture of Ameren Corporation's merchant generation business. AIC explains that IIEC/CUB has this wrong. AIC points out that its testimonial evidence and benchmarking analyses (not to mention the surfeit of discovery it provided regarding AMS costs) justify all of AIC's 2015 AMS charges, including the 3.5% increase in total AMS costs charged to AIC in 2015 over 2014 due to inflation, annual increases in AMS employees' salaries and wages, and changes to AIC's specific business needs in 2015. Moreover, AIC notes, AIC provided a detailed variance analysis of 2014 and 2015 AMS costs by FERC account that confirmed that AMS costs charged to AIC increased from 2014 to 2015 largely due to AMS employee wages and salaries increases, increased support for maintaining AIC's general books and records, and increased AMS IT support for cyber security and data operations.

AIC also points to IIEC/CUB's claim that AIC did not provide "any evidence whatsoever that it could not have obtained any necessary services more economically by providing such services in house or through an independent third party." AIC contends this is wrong, too. AIC points out that it provided benchmarking analyses demonstrating that regardless of their source—whether AIC, an external vendor, or AMS—AIC's administrative and general expenses are consistently lower than its utility peers' administrative and general expenses. AIC explains that it also provided documentation of its review of AMS services, including consideration of cost containment opportunities and potential savings from further outsourcing, in the form of AIC buyers' 2015 Joint Planning Checklists.

AIC also points to IIEC/CUB's claim that AIC presented "no evidence" that "AMS's charges for any specific service or category of services provided to AIC were prudent and reasonable." AIC reminds that IIEC/CUB's adjustments do not relate to AMS "charges for any specific service or category of services" they relate to total AMS cost allocations to AIC and its affiliates. Since IIEC/CUB did not dispute "any specific service or category of services provided to AIC," AIC maintains, AIC should not be asked to defend *every* AMS service it received in 2015 and attendant charge it incurred. Regardless, AIC also explains that IIEC/CUB's claim that there is "no evidence" here again is wrong. AIC reiterates that it provided testimonial evidence, variance analyses, and documentation of its processes for reviewing and receiving AMS services that support the prudence and reasonableness of AIC's 2015 AMS charges. AIC also provided evidence that the 3.5% increase in AMS charges to AIC from 2014 to 2015 was reasonable because it was attributable, in part, to AIC's specific business needs, which required particular AMS services, such as maintaining AIC's books and records and increased IT support for cyber security and Part 280 compliance, as explained.

AIC also points to IIEC/CUB's claim that "AIC has failed to prove the prudence of

its actions in negotiating services and costs for AMS for services provided.” Yet again, AIC asserts, IIEC/CUB is wrong. AIC’s direct testimony explained how AIC evaluates, processes, and controls AMS services and their costs. AIC reiterates that it provided AIC buyers’ Joint Planning Checklists for 2015, which document discussions between AIC buyers and AMS providers for projected 2015 AMS services and costs, and which show “the prudence of its actions in negotiating services and costs for AMS for services provided.”

AIC explains that the 2015 Joint Planning Checklists show, for example, that on July 14, 2014, AIC and AMS personnel met to discuss AIC’s increased IT design administration needs and projected budget. The meeting notes reflect that AMS outsources several of the needed IT services, such as 7x24 threat recognition services, that the projected increase in AMS costs charged to AIC in 2015 for those IT services are related to compliance with NERC Critical Infrastructure Program requirements, and that the “Ameren cyber security program is routinely re-assessed based on a constantly changing threat landscape. As investments are made to strengthen Ameren’s cyber security, program operating expenses are expected to increase for the next 2-3 years.”

AIC explains that the 2015 Joint Planning Checklists also show that on July 7, 2014, AIC and AMS personnel met to discuss AIC’s increased need for another IT service—Application Development Services. The meeting notes explain how AMS costs for those services are managed:

When staff augmentation is utilized, the ASC/IT engages a third-party vendor-neutral manager of contract staffing. They work directly with multiple vendors to ensure that staff augmentation costs are appropriate and potential consultants will satisfy the specific need.

When project specific professional services are required, ASC/IT engages with the Ameren Sourcing department to issue Request for Proposals (RFP) in order to ensure best pricing considerations are made as part of the overall sourcing decision.

Note: This service is routinely evaluated to ensure it is delivered at a competitive price that strikes a balance with the value delivered to the business segment. As part of this evaluation, right-sourcing, whether that be out-sourcing or in-sourcing is considered.

AIC further explains that the notes describe the factors that contributed to the increase in projected 2015 costs for AMS IT Application Development Services over the 2014 level: “Labor rate increases (which includes labor overheads); Increased expense based on project load (more application upgrades planned for this calendar year than previous year); [and] Reallocation of labor costs from Capital in 2014 to O&M in 2015 due to differing project loads across the Development groups.”

AIC concludes that it provided evidence rebutting every claim and concern that

IIEC/CUB's witness, Mr. Gorman, raised in testimony, and the Commission should disregard IIEC/CUB's statements to the contrary. AIC states an opposing party cannot unilaterally determine what evidence is enough evidence.

Regardless, AIC points out, all of these statements by IIEC/CUB in post-hearing brief are also irrelevant. AIC reminds that IIEC/CUB proposes only two adjustments, and that both adjustments relate to total AMS costs allocated to AIC and its affiliates. AIC states the adjustments don't relate to "any specific service or category of services"; they don't relate to whether AMS services may be obtained "more economically by providing such services in house or through an independent third party"; and they don't relate to AIC's prudence "in negotiating services and costs for AMS for services provided." Since IIEC/CUB does not propose to adjust \$66.6 million of AIC's 2015 AMS charges, AIC maintains, all of IIEC/CUB's generalized complaints about evidence of prudence and reasonableness are irrelevant.

AIC notes that IIEC/CUB's erroneous claims that AIC provided "no evidence" on certain topics (ones that are irrelevant to IIEC/CUB's two AMS cost adjustments) aren't the only mischaracterizations of the evidentiary record in IIEC/CUB's initial brief. IIEC/CUB routinely mischaracterizes the record evidence in other ways.

For example, AIC points to IIEC/CUB's declaration that "the services provided to AIC by AMS have not materially changed since 2013." AIC points out that record evidence, however, plainly demonstrates that the services provided by AMS may fluctuate from year to year, based on AIC's business needs. AIC notes that services directly related to AMI support, for example, doubled from 2013 to 2015. And, in 2015, AIC required new AMS IT services related to the new bill format required by Part 280. In 2014, AIC had 849 service request projects with AMS; in 2015, it had 910, 635 of which were also charged in 2014. AIC states that some services reoccur year-over-year, while some are new.

AIC also points to IIEC/CUB's assertion that Ameren witness "Ms. Russi does not identify other factors," beyond compliance with the Commission-approved GSA, to consider in assessing the prudence and reasonableness of AMS costs. However, AIC explains, IIEC/CUB never asked Ms. Russi to identify "other factors." And AIC contends she did not need to. AIC explains that the Commission must determine the prudence and reasonableness of costs based on the evidence before it. 220 ILCS 5/10-103; 220 ILCS 5/10-201(e)(iv). AIC explains that there is no general prescription on what form that evidence must take; the evidence that supports the prudence and reasonableness of a cost may depend on the cost and the case.

In this case, AIC maintains, the substantial weight of the record evidence supports the prudence and reasonableness of AIC's 2015 AMS charges. AIC reiterates that the record evidence includes several rounds of testimonial evidence explaining how AIC evaluates, processes, and controls AMS services and their costs generally; AIC's 2015 AMS charges specifically; and the reasons for the 3.5% increase in AIC's AMS charges in 2015 from the 2014 cost level. AIC reiterates that the record evidence also includes variance analyses of all of AIC's 2014 to 2015 Administrative and General expenses, and of just its AMS charges, by FERC account. And, AIC reiterates, the record evidence

includes benchmarking analyses that demonstrate that AIC's Administrative and General expenses, regardless of their source, are consistently lower than the expenses of AIC's utility peers.

Thus, AIC again warns that the Commission should consider IIEC/CUB's initial brief—and the myriad mischaracterizations of the evidentiary record in that brief—with caution.

AIC's Benchmarking Analyses. AIC explains that a substantial portion of its Administrative and General expenses are composed of AMS charges. AIC explains that Ameren witness Mr. Adams' performed benchmarking analyses that compared AIC's 2014 and 2015 Administrative and General (and AIC's general non-fuel Operating and Maintenance expenses) on a per-customer basis to the expenses of AIC's national and Midwest peers. AIC explains that Mr. Adams' analyses show that AIC's costs incurred to obtain the services it needs to operate were in the first and second quartiles compared to the group average in 31 out of 32 comparison groups in 2014 and 2015.

AIC notes that IIEC/CUB criticizes AIC's benchmarking analyses. AIC explains, however, that IIEC/CUB's criticism is unfounded, in three respects.

First, AIC points out, it is inaccurate. IIEC/CUB claims that AIC's analyses "do[] not justify the level of AMS costs." However, AIC reiterates, like other utilities, AIC must obtain the services that it needs to operate from somewhere: internally within AIC, from nonaffiliated vendors, or from a centralized service company—AMS. AIC explains that its benchmarking analyses confirm that, regardless of their source, AIC's Administrative and General expenses compare favorably to the Administrative and General expenses of its utility peers.

Second, AIC explains, IIEC/CUB's criticism is disingenuous. AIC notes that IIEC/CUB stated that AIC's analyses are "not useful" and that "a non-fuel O&M and Total A&G cost comparison is a deficient methodology" Yet, in the next breath, AIC points out, IIEC/CUB states that "the benchmarking analysis can instead be used to illustrate that the increasing amount of AMS charges to AIC are increasing AIC's cost relative to other electric utilities." IIEC/CUB then explains that its witness Mr. Gorman expanded AIC's benchmarking analysis, adding 2012 and 2013 data, in an (unsuccessful) attempt to show that "AIC's costs will eventually be among the more expensive utilities." AIC explains that IIEC/CUB argues on one hand that AIC's methodology is "not useful," and on the other, that the methodology supports IIEC/CUB.

Third, AIC points out, IIEC/CUB's criticism is undermined by Mr. Gorman's own expanded benchmarking analysis, the results of which are similar to Mr. Adams' analyses. AIC explains that, going back to 2012, Mr. Gorman makes 96 comparisons. In 85 of those comparisons, AIC states, its cost per customer ranked in the first or second quartile. Further, AIC points out, Mr. Gorman's conclusion that "AIC's costs will eventually be among the more expensive utilities" is unsupported by any mathematical analysis of the numbers in his study or any demonstration of an actual trend. Regardless, AIC explains, AIC's analyses demonstrate that its Administrative and General cost per customer ranges

between 50 and 79 percent of the peer group mean in the period of Mr. Gorman's expanded analysis. AIC explains that this means that not only are AIC's costs *not* "among the more expensive utilities," but also, they are consistently well below the group mean during the period of Mr. Gorman's analysis. AIC contends that its continued performance relative to even the group mean of its peer companies belies Mr. Gorman's conclusion.

AIC notes that IIEC/CUB concludes that Mr. Gorman's expanded benchmarking analysis shows "the reduction in the number of Client Companies to which AMS provides service over the last four years has resulted in an *increased* cost of services for all remaining AMS Client Companies including AIC." But, AIC notes, both AIC's original and Mr. Gorman's expanded benchmarking analyses look at total costs. Therefore, AIC explains, they do not provide a basis for any conclusions about specific changes to specific expenses from year to year. And, AIC maintains, the reasons for the 3.5% increase in AMS costs charged to AIC from 2014 to 2015—inflation, employee wages increases, specific business needs, particularly increased IT support—are independent of the reason for the decrease in AMS costs charged to Ameren Corporation in 2014 to 2015—the completion of the merchant generation divestiture, as explained.

Regardless, AIC contends, IIEC/CUB's conclusion here is undermined by its conclusion that AIC's benchmarking analyses are "not useful": if the study somehow confirms IIEC/CUB's position, then it's useful for assessing the reasonableness of AIC's 2015 AMS charges. AIC maintains that it is both useful and compelling to demonstrate how AIC's administrative and general expenses, including AMS costs, compare favorably year over year to peer utilities.

IIEC/CUB's Attempt to Revive Stricken Evidence. AIC points out that IIEC/CUB attempts to revive evidence that the ALJ already struck as irrelevant. AIC explains that the purpose of this proceeding is to update AIC's electric formula rate for 2015 costs, per EIMA. 220 ILCS 5/16-108.5(d). Accordingly, AIC notes, the ALJ struck as irrelevant portions of IIEC/CUB's direct evidence addressing 2013 and 2014 AMS costs. (Notice of ALJ Ruling (July 21, 2016) (finding that the offending portions Mr. Gorman's direct testimony "constitute[d] a collateral attack on the Commission's 2013 and 2014 proceedings under the Energy Infrastructure Modernization Act, and is therefore outside the scope of this proceeding, pursuant to Section 6-108.5(d)(3) of the Public Utilities Act.")) Over IIEC/CUB's objection, the Commission affirmed the ALJ's ruling. (IIEC/CUB Pet. Interloc. Review (filed July 28, 2016); Notice of Comm'n Action (Aug. 24, 2016).)

AIC notes that among the stricken evidence was this sentence: "From 2013 to 2014, while AIC was experiencing a \$28.2 million, or 22% increase in AMS cost, the amount charged to Ameren Corporation was declining by \$9.7 million, or 33%." AIC finds it remarkable that, in its initial brief, IIEC/CUB reinserts into the record of this proceeding what the ALJ has already taken out: "The amount of AMS cost charged to Ameren Corporation declined by \$5.2 million, or 27%, from 2014 to 2015. This is in addition to a \$9.7 million, or 33%, decline in AMS costs charged to Ameren Corporation from 2013 to 2014." AIC states the extent of IIEC/CUB's effort to include this information in brief—without the benefit of record support—is revealed in the convoluted mathematical exercise IIEC/CUB undertakes in the footnote to these sentences, which calculates a

reversal of costs back to the 2013 level.

AIC explains that the Commission has already rejected IIEC/CUB's attempt to revisit 2014 cost levels previously approved. (Notice of Comm'n Action (Aug. 24, 2016).) AIC further notes that the Commission has already rejected IIEC/CUB's legal arguments that it should consider the increase in total AMS costs from 2013 to 2014. AIC states that the Commission has agreed with AIC that IIEC/CUB's failure to address that increase in Docket 15-0305 is not a basis for allowing the issue in this case. AIC notes, in Docket 15-0305, AIC's direct testimony expressly explained the basis for increased AMS costs allocated to AIC in 2014—testimony that addressed the very allegations about the divestiture of Ameren Corporation's merchant generation business that IIEC/CUB now raises, untimely. AIC states that the Commission approved an updated revenue requirement in Docket 15-0305 that included the increased 2014 AMS costs. AIC contends that EIMA simply does not allow IIEC/CUB a second opportunity to challenge a cost where it failed to challenge it before. And the Commission has agreed.

Conclusion. AIC explains that, when it submitted its direct case, AIC met its burden to show that all of its 2015 costs of electric distribution service, including AIC's 2015 AMS charges, were prudent and reasonable. AIC observes that IIEC/CUB disputes that prudence and reasonableness. But, AIC asserts, IIEC/CUB's two AMS cost adjustments are factually and legally baseless. There is nothing in the record or the law to support them. IIEC/CUB has not set forth its adjustments with particularity or provided the evidence needed to support those adjustments. AIC maintains that simply because IIEC/CUB witness Gorman, unlike any Staff or other witness in this case, thinks that it's likely that AIC's 2015 costs are overstated, does not make it so. AIC points out that, because IIEC/CUB's adjustments fail legally and factually, IIEC/CUB employs a number of alternative tactics—mischaracterizations of the record, misstatements of the parties' legal burdens, misrepresentations of the discovery—in an attempt to salvage the adjustments. AIC argues that these tactics should not be condoned.

AIC concludes that, despite the groundless nature of IIEC/CUB's and Mr. Gorman's allegations regarding AMS charges, AIC has wholly rebutted those allegations: the substantial weight of the record evidence shows not only that total AMS cost allocations to AIC (and Ameren Corporation and ATC) in 2015 were prudent and reasonable, but also that AIC's Administrative and General expenses—which include the support services that AMS provides AIC to operate and meet its service obligations to Illinois customers—were less than AIC's utility peers' expenses. AIC maintains that its 2015 AMS charges should be recoverable via its electric formula rate.

b. AG Position

c. IIEC/CUB Position

d. Commission Conclusion

As an initial matter, the Commission is compelled to address the legal burdens borne by utilities and other parties in utility rate cases. IIEC/CUB takes the position that

EIMA places the burden to support the prudence and reasonableness of the costs of utility service “squarely on the utilities.” That is incorrect. EIMA requires the Commission to apply the same evidentiary standards, including burdens of proof, as the Commission would apply in an Article IX rate case. 220 ILCS 5/16-108.5(d). Under Article IX and Illinois common law, once a utility demonstrates the costs necessary to provide service under its proposed rates, it has established a *prima facie* case, and the burden then shifts to other parties to show that the costs incurred by the utility are unreasonable because of inefficiency or bad faith. *Apple Canyon Lake Prop. Owners’ Ass’n v. Ill. Commerce Comm’n*, 2013 IL App (3d) 100832, ¶ 54; *Ill. Bell Tele. Co. v. Ill. Commerce Comm’n*, 327 Ill. App. 3d 768, 776 (3d Dist. 2008). Only upon that showing does the burden shift back to the utility to rebut the other party’s adjustment. *Apple Canyon*, ¶ 55. EIMA is entirely consistent with this shifting burden of proof: “During the course of the hearing, each objection shall be stated with particularity and evidence provided in support thereof, after which the utility shall have the opportunity to rebut the evidence.” 220 ILCS 5/16-108.5(d)(3). Contrary to IIEC/CUB’s position, therefore, EIMA also places a burden of proof on the other parties to the rate case to support their cost adjustments.

The Commission finds that, for the reasons below, in this case, AIC met its initial burden to support the prudence and reasonableness of the costs included in AIC’s proposed net revenue requirement; IIEC/CUB did not meet its burden to support adjustments to those costs, specifically, AIC’s 2015 AMS charges; and, therefore the burden never shifted back to AIC.

The Commission finds that AIC’s direct filing met AIC’s initial burden of proof regarding all of the costs in AIC’s proposed net revenue requirement, including AIC’s 2015 AMS charges. The Commission notes that filing included the cost data and documentation required under EIMA, AIC’s actual costs as reported on its FERC Form 1, and substantial supporting documentation required under the Commission’s Part 285 Rules. AIC’s compliance with the requirements of statutory and administrative rules concerning filings constitutes a *prima facie* case.

The Commission further finds that AIC in fact provided more in its direct case than was needed to develop *prima facie* support for the costs at issue here, AIC’s 2015 AMS charges. In direct testimony, AIC explained how it evaluates, processes, and controls AMS services and their costs. AIC also explained how the costs for the services that AMS provides are charged to AIC under the General Services Agreement approved by the Commission in Docket 09-0234. Moreover, in its direct filing, AIC described significant variances from 2014 to 2015 in its Administrative and General expenses recorded in FERC Accounts 920-935 and included in the 2015 revenue requirement. AIC records expenses for the types of services that AMS provides—corporate leadership, financial services, human resources, information technology, legal, etc.—to these expense accounts. If variances in those accounts drove significant changes in the costs of service 2014 to 2015, AIC’s direct case identified and explained those variances.

In brief, IIEC/CUB argues that, to establish a *prima facie* case, AIC must show that “all of the services it took from AMS” were necessary to provide utility service and were least cost. IIEC/CUB argues that, “in its initial filing in this proceeding, AIC failed to identify

any specific service or cost thereof whatsoever that it took from AMS.” The Commission finds these arguments perplexing, for two reasons. First, it is unclear why IIEC/CUB believes that AMS costs should be treated differently from other costs of utility service. Certainly, AIC must show that all of its costs of service are prudent and reasonable, but, as the courts have noted, it would be impractical for a utility to anticipate every possible objection to its rate filing or to the wide array of information, data, and schedules within that rate filing. Therefore, the utility need not, to establish a *prima facie* case of prudence and reasonableness, defend with its initial filing every cost that comprises its proposed rates. Second, as explained below, IIEC/CUB proposes only two adjustments to AIC’s 2015 AMS charges. Both relate to portions of total AMS costs allocated to AIC and its affiliates. Specifically, IIEC/CUB takes issue with \$6.4 million of the \$73 million AMS charges included as operating expenses in AIC’s proposed electric distribution net revenue requirement in this case. IIEC/CUB does not dispute the remaining \$66.6 million. The Commission perceives no benefit in a detailed discussion of the AMS charges and services that did not draw any objection. To the extent IIEC/CUB seeks to require a detailed discussion of all service company services and charges in a utility’s direct case filing or supporting documentation for each service and charge, the Commission declines to impose such a requirement.

The Commission finds that after AIC’s direct filing, the burden of proof shifted to IIEC/CUB and other parties to this rate case to propose adjustments, if any, to AIC’s cost data with particularity and to support those adjustments with evidence. IIEC/CUB’s witness, Mr. Gorman, proposed two adjustments to AIC’s 2015 AMS charges: the first, related to total AMS costs allocated to AIC and Ameren Corporation in 2014 and 2015; the second, related to total AMS costs allocated to AIC and Ameren Transmission Company (ATC) in 2015. The Commission finds that IIEC/CUB failed to state either adjustment with particularity or to support either adjustment with evidence, as EIMA requires.

Regarding the first adjustment, IIEC/CUB and Mr. Gorman argue only that total AMS costs allocated to Ameren Corporation decreased from 2014 to 2015, while total AMS costs allocated to AIC increased 3.5% from 2014 to 2015. From this, IIEC/CUB concludes that AMS costs once charged to Ameren Corporation have shifted to AIC. IIEC/CUB, however, does not identify any particular AMS service or cost that shifted from Ameren Corporation to AIC from 2014 to 2015 or any particular AMS service that AIC received but did not need, or that Ameren Corporation should have, but did not, receive in 2014 or 2015. Since the increase in total AMS costs allocated to AIC from 2014 to 2015, alone, is not evidence of imprudence or unreasonableness of the costs, under EIMA, 220 ILCS 5/16-108.5(c)(1), and IIEC/CUB cited no other evidence in support of its adjustment, the adjustment fails.

Regarding the second adjustment, IIEC/CUB and Mr. Gorman argue only that ATC’s 2015 share of AMS services and costs generally, and in particular IT services and costs, was “not sufficient,” and that ATC should be allocated 10% of total 2015 AMS costs, unless AIC can prove that this allocation factor is unreasonable. Again, IIEC/CUB does not identify any particular AMS service or cost that AIC should not have received but did, or that ATC should have received but did not, in 2015. Further, IIEC/CUB cites no

evidence that 10% is a reasonable or appropriate allocation of total AMS costs to ATC in 2015. IIEC/CUB offers no reason to shift the cost of services that AIC received from AMS in 2015 to ATC. This adjustment, therefore, also fails under EIMA.

Because IIEC/CUB failed to state its adjustments with particularity and support them with evidence, as required by EIMA, IIEC/CUB did not meet its burden of proof regarding its two AMS cost adjustments. Given this legal infirmity, the Commission rejects those adjustments.

The discussion could end there. However, although the burden did not shift back to AIC to rebut IIEC/CUB's unsupported adjustments, AIC did rebut those adjustments, as the record evidence reflects. Therefore, the record evidence does not support IIEC/CUB's adjustments. The Commission rejects IIEC/CUB's adjustments for this reason as well.

Regarding IIEC/CUB's first adjustment, the un rebutted record evidence shows that the decrease in AMS costs charged to Ameren Corporation and the increase in AMS charges to AIC from 2014 to 2015 were mutually exclusive. AMS charges to Ameren Corporation decreased due to changes in Ameren Corporation's business needs. Specifically, in 2014, AMS directly charged Ameren Corporation for non-labor services related to Ameren Corporation's 2013-2014 merchant generation business divestiture that were not needed in 2015, after the divestiture. The record evidence shows that AMS's divestiture-specific non-labor services costs to Ameren Corporation were not, and could not be, shifted or reallocated to AIC, because those services are no longer performed. The record evidence also shows that AMS charges to AIC increased 3.5% due to inflation, annual increases in AMS employees' salaries and wages, and changes in AIC's business needs in 2015, including increased support required to maintain AIC's books and records and increased IT support, for cyber security needs and to comply with billing and other changes necessitated by compliance with the Commission's new Part 280 rules. (That 3.5% increase is before allocation to AIC's electric distribution operations at issue in this case, and before AIC's self-imposed ratemaking adjustments to forgo rate recovery of certain AMS costs, like financial-goal based AMS employee incentive compensation.) AIC explained this record evidence in initial brief. In reply brief, IIEC/CUB did not defend its proposed adjustment to AMS costs allocated to Ameren Corporation.

Regarding IIEC/CUB's second adjustment, the un rebutted record evidence shows that the total AMS cost allocations to AIC and ATC in 2015, particularly for AMS IT services, are reasonable. AIC's AMS IT services and costs in 2015 are more than ATC's because AIC's IT needs and ATC's IT needs are not the same. For example, AIC has 1.2 million electric distribution customers. ATC has zero retail customers. Therefore, AIC, unlike ATC, has significant customer billing and support needs, which require IT services. AMS's IT function also directly charged AIC in 2015 for support services related to the new bill format and meter reading changes required by the Commission's revised Part 280 Rules.

The Commission notes that the 10% allocation of total AMS costs to ATC that IIEC/CUB proposes is not only arbitrary, but also contrary to the Commission-approved

GSA. The record evidence shows that the AMS costs charged to ATC and AIC in 2015 were charged in accordance with the GSA, and specifically with the direct and direct allocation cost methodology and allocation factors in the GSA. The Commission notes that a proceeding to review and amend the GSA, including new allocation factors, is pending as Docket 16-0287. Until the Commission approves new or revised allocation factors in that docket, the Commission finds that AIC must use the ones in the current GSA.

The Commission finds that the substantial weight of the record evidence otherwise supports the prudence and reasonableness of AIC's 2015 AMS charges. The record evidence includes a detailed analysis of AMS cost variances 2014-2015 by FERC account, which shows that AMS costs charged to AIC from 2014 to 2015 increased largely due to AMS employee wages and salaries increases, increased AMS IT support for cyber security and data operations, and increased support for maintaining AIC's general books and records. Further, like other utilities, AIC must obtain the Administrative and General services that it needs to operate from somewhere—internally, from nonaffiliated vendors, or from a centralized service company, like AMS. The record evidence also includes benchmarking analyses comparing AIC's 2014 and 2015 Administrative and General expenses to AIC's national and Midwest peers: all electric companies, electric companies with 500,000 to 2 million customers, electric companies without a generation business, and combination electric and gas companies. Those analyses show that AIC's costs incurred to obtain the services it needs to operate were in the first and second quartiles compared to the group average in 31 out of 32 comparison groups in 2014 and 2015, meaning that AIC's Administrative and General expenses, which include AIC's AMS charges, are consistently lower than other utilities' expenses. Finally, the record evidence shows that Mr. Gorman's adjustments are calculated incorrectly because each adjustment, despite being related to total AMS cost allocations, does not take into account the other adjustment. The adjustments, therefore, would double-disallow 2015 AMS charges. IIEC/CUB did not correct this error. IIEC/CUB is under the misperception that it is incumbent upon AIC to correct IIEC/CUB's witness's error. The Commission disagrees.

Irrespective of IIEC/CUB's failure to meet its burden of proof regarding its two AMS cost adjustments, therefore, the substantial weight of the record evidence supports the prudence and reasonableness of AIC's 2015 AMS charges. The Commission rejects IIEC/CUB's adjustments for this reason as well.

The Commission believes that several final points bear mention.

First, in post-hearing brief, IIEC/CUB repeatedly asserts that AIC "refused" or "failed" to provide AMS cost data for years prior to 2015. This assertion is unfounded. The Commission has already found that 2013 and prior data is not relevant to this proceeding. And the record reflects that AIC provided extensive AMS cost data for 2014 and 2015.

Further, what IIEC/CUB characterizes as AIC's "refusal" or "failure" to provide information instead appears to be AIC's objections to data requests. The Commission reminds IIEC/CUB that there are procedures for resolving objections to and disputes about discovery. The Commission's rules and the ALJ's Case Management Order require

the parties to consult and make reasonable attempts to resolve differences regarding discovery, before going to the Commission for redress. See 83 Ill. Admin. Code 200.350, 200.370; Case Mgmt. Order at II.A. The record reflects that AIC, through counsel, objected to what it believed were improper data requests. IIEC/CUB, however, did not dispute those objections or otherwise follow the Commission's procedures regarding discovery disagreements. Because IIEC/CUB failed to use the available procedures, IIEC/CUB's concerns about any alleged "refusal" or "failure" to provide information are without merit. If the concerns were as significant as IIEC/CUB claims, IIEC/CUB should have used the discovery procedures. Raising a discovery complaint in post-hearing brief, having failed to follow the appropriate procedures, is improper. See, e.g., *Ill.-Am. Water Co.*, Docket 11-0767, Order at 183 (Sept. 19, 2012) (noting that although Staff complained of the utility's failure to provide information, Staff had not followed established procedures to compel discovery, and rejecting Staff's position). Raising the issue in post-hearing brief deprives both the Commission and the parties of the opportunity to resolve discovery differences. Therefore, the Commission will not entertain discovery complaints in post-hearing brief.

Second, in post-hearing brief, IIEC/CUB argues for the first time in this proceeding that AMS cost allocations are not consistent with the GSA. This is new argument not raised by IIEC/CUB's witness, Mr. Gorman, during the course of the proceeding and not raised in IIEC/CUB's initial brief. It is not supported by any citation to the record evidence. AIC, therefore, has been deprived of an opportunity to respond. The Commission does not condone and will disregard such untimely argument.

Third, in post-hearing brief, IIEC/CUB accuses AIC of not providing certain cost data because AIC wanted to "do whatever it could to prevent identification" of unreasonable costs and hide "the real reason behind the total increase in AMS costs." These statements are not supported by citation to the testimony of any witness. Such unsubstantiated allegations of bad faith are inflammatory and have no basis in the record evidence. The Commission does not condone such accusations and will disregard these statements as well.

Finally, in post-hearing brief, IIEC/CUB makes statements that are plainly contrary to the record evidence. For example, in reply brief, IIEC/CUB asserts that AIC did not provide specific AMS services and costs. IIEC/CUB's own cross-exhibits, however, show that AIC provided every AMS service and the attendant cost to AIC in 2014 and 2015. IIEC/CUB also asserts that "the word 'each' . . . does not appear in Mr. Gorman's testimony." Mr. Gorman's rebuttal testimony, however refers to "each" AMS service myriad times. The Commission is perplexed by IIEC/CUB's mischaracterizations of the record evidence, and it does not condone them. It will disregard these statements as well.

2. Attorney General Advertising Expense Adjustments

a. AIC Position

AIC states the primary design of an advertisement determines whether the related expense should be recoverable in a utility's delivery rate, and that, to assess that primary

design, one must look at the factors that influence it. According to AIC, the stated purpose of the communication, the targeted audience, the nature of the public event, the substance of the message, the visual graphics displayed, the audio components, and the duration and channel of publication combine to generate the final product and provide the necessary context to explain why the advertisement was created.

AIC understands that the AG seeks to remove expenses that AIC incurred in producing and publishing communications that informed customers on the Company's Avian Protection Program, its efforts to foster diversity in its workplace, and its EIMA reliability improvements. No other party to this proceeding, including Staff, has endorsed these additional adjustments. AIC states that the record does not support the AG's assertion that these advertisements served no legitimate business purpose other than to enhance AIC's public image. Indeed, AIC maintains that the record shows the opposite. AIC explains the advertisements inform customers on the benefits of underlying programs: that AIC is taking steps to protect birds of prey, recruit and retain diverse talent, and improve the overall reliability of the electrical systems used to delivery energy.

AIC argues the AG, in continuing to seek the exclusion of expenses for messages on avian protection, workplace diversity, and EIMA infrastructure projects, ignores the context of the messages. AIC states the AG disbelieves the use of pamphlets, posters and banners on endangered birds at presentations at public schools and safety events, discounts the need and effectiveness of advertisements that seek to promote a diverse and respectful culture in recruiting and retaining employees, and disregards the importance of informing and engaging customers on AIC's efforts to fulfill its EIMA investment requirements. AIC observes the AG picks at the justifications that AIC provided, without due consideration given to why the materials were published or displayed.

AIC notes the AG suggests that the challenged advertisements are not informative enough, that they could have said more. But AIC contends that the fact the AG, in briefing, can come up with additional facts that AIC did not include in the advertisement is not decisive. AIC maintains the AG's hypothetical ads do not justify the exclusion of the expense of the actual ads. AIC argues an advertisement is not goodwill simply because the AG feels that it can design a better one, in hindsight. AIC asserts that the recoverability of the expense does not turn on the advertisement that the AG says could have been produced, but rather turns on the primary design of the advertisement that actually was produced. AIC reports the evidence in the record in this proceeding shows that the primary design of the challenged advertisements was not to improve AIC's image; the primary design was to inform the public on avian protection, workplace diversity and EIMA infrastructure projects.

AIC also argues that the AG introduces new analysis that it should have filed as rebuttal testimony in response to Mr. Kennedy's rebuttal. For each of the three other categorical AG adjustments that AIC opposed however, the Company states it submitted testimony that described the necessity of the messages, identified the purpose and design of the specific advertisements at issue, and explained why the particular type of advertising did not serve only to enhance AIC's image. AIC contends the AG could have

rebutted AIC's rebuttal evidence, or could have sent additional discovery on AIC's stated justifications. But AIC states it didn't. AIC relates that no data requests were issued after AIC filed Mr. Kennedy's rebuttal, nor did Mr. Brosch file rebuttal in response. AIC argues it is improper for the AG to now raise issues in briefing that should have been raised in rebuttal testimony. If the AG questioned the design of an advertisement or wondered about the basis of a justification, AIC asserts the appropriate line of inquiry would have been through discovery and responsive testimony. AIC states it then would have had the opportunity to respond in discovery or surrebuttal with additional, clarifying information or evidence. Instead, AIC states, the AG laid in wait to spring its questions in briefing. AIC maintains that it should not be penalized because it no longer has the opportunity to address the AG's new concerns. As AIC points out, however, the AG's new doubts still do not satisfy its burden.

For each formula rate update filing, AIC states it reviews the advertisements produced and/or published in the prior calendar year, and identifies the related expenses for which it will not seek recovery. AIC explains that this annual review includes an assessment of each invoiced expense charged to FERC Account 909. AIC states this annual review also entails an inspection of each advertisement from the prior year and a group discussion of whether the related costs should be included in the revenue requirement. AIC explains that the end result of this review is a series of deliverables submitted with AIC's direct case filing. AIC states Staff and Intervenors receive copies of the advertisements and scripts, along with a supporting schedule that identifies the production and publication costs for each customer communication. In addition, AIC points out, the workpaper identifies, for each advertising expense, the voucher number, the name of the vendor (if any), the purpose of the expense, and the justifications for any excluded expenses. AIC states this annual review is thorough and comprehensive, and goes well beyond what other utilities submit as supporting schedules for rate increases. And, AIC asserts, it provides a basis for the Commission to determine that AIC's advertising expenses are prudently incurred and reasonable in amount.

In this proceeding, AIC states it submitted the direct testimony, exhibits and workpaper of Mr. Thomas Kennedy, the AIC Director responsible for external communications and the annual review of advertising expenses included in the updated revenue requirement. AIC observes his testimony explained the purpose and importance of types of advertisements as well as the standards that govern the recoverability in rates of advertising expenses. AIC notes it identified the cost items or drivers responsible for the 2015 increase in expense charged to FERC Account 909, the account for informational and instructional advertising expenses: charges for producing and delivering messages to inform customers about the rollout of Advanced Metering Infrastructure (AMI). And, AIC explains, it analyzed the Commission's findings and conclusions on 2014 advertising expenses in AIC's last formula rate case, Docket 15-0305, including the expenses that AIC was not permitted to recover in rates.

AIC states that the product of AIC's review of the Commission's prior order and the 2015 advertising expenses was a significant self-disallowance. In total, the Company explains it excluded \$600,000 of Account 909 expenses from the revenue requirement. The Company states it disallowed an additional \$163,000 in Account 930.1 expenses for

sponsorship-related costs. AIC explains that, included in these disallowances were all 2015 charges for paid media to broadcast television advertisements that were at issue in Docket 15-0305. In the Docket 15-0305 Order, AIC relates, the Commission disallowed \$328,277 in production costs for 30-second television advertisements entitled “Stronger” and “Preparation.” In this proceeding, AIC states it disallowed \$389,000 in paid media costs to publish the same exact ads. AIC maintains that this substantial disallowance, along with the annual review and supporting testimony and exhibits, shows AIC’s efforts to recover only allowable advertising expenses.

AIC points out that despite this sizeable disallowance, Staff and the AG propose that the Commission exclude additional expenses for other types of advertisements. AIC states it has adopted Staff’s adjustment for certain advertising concerning charitable causes, for the purpose of limiting the number of contested issues in this proceeding. In doing so, AIC states it also has accepted a similar AG adjustment that includes other charitable advertisements. Ameren Exhibit 11.1 identifies the charitable advertisements and the related expenses removed from the revenue requirement. AIC explains that this minor adjustment removes approximately \$21,000 in advertising expenses.

However, the Company states it has not adopted the AG’s remaining advertising adjustments that seek to remove expenses for customer communications on the Avian Protection Program (\$12,000), Diversity in Hiring (\$53,000) and EIMA Reliability Improvements (\$105,000). AIC notes that AG witness Brosch claims these advertisements serve no business purpose other than image enhancement. But, AIC explains, Mr. Brosch offers absolutely no evidence to support that claim other than his own speculation and his mistaken assertions on the purpose of the advertisements. AIC states it did not produce and publish these advertisements to enhance the utility’s image; the advertisements were distributed to inform and educate customers on the underlying programs and the related benefits. AIC observes that, in Docket 15-0305, the Commission made clear that the AG bears the burden of submitting sufficient evidence to show that the promotional aspect of any advertisement outweighs the message. *Ameren Ill. Co.*, Docket 15-0305, Order at 46 (Dec. 9, 2015). AIC contends the AG must show that the advertisement was designed primarily to improve the utility’s image. But AIC asserts the testimony and exhibits in the record do not establish that the specific communications targeted by the AG were primarily designed to improve AIC’s image. AIC acknowledges that the AG believes that their content is lacking. But AIC argues these comments amount to subjective armchair quarterbacking; they do not satisfy the AG’s burden to show that the ads were primarily designed as image enhancing.

AIC explains that the posters, flyers and displays on the Avian Protection Program educate and inform customers on AIC’s responsibility and efforts to (i) protect bald and golden eagles, migratory birds, endangered raptors and other birds of prey; and (ii) reduce bird electrocutions and collisions with power lines. AIC states it presented evidence that showed the primary design of the avian protection materials—to assist in the education of the public on actions that can be taken to improve the safety and reliability of its structures at risk of damage caused by birds of prey. AIC explains the materials include a poster that illustrates and describes the equipment used to help protect birds of prey from dangers associated with overhead power lines, a brochure that

describes AIC's efforts to make structures safer for birds of prey and reduce outages from bird interference, and banners that depict the protected birds.

AIC states that the outreach materials fall under the advertising category in Section 9-225(3)(c) of the Act concerning "service interruptions, safety measures or emergency conditions." 220 ILCS 5/9-225(3)(c). AIC explains that the materials are displayed at public school demonstrations and safety events organized by governmental agencies and environmental groups concerned with compliance with federal and state environmental laws on bird protection. AIC states that public education increases awareness of the dangers of bird interference, and explains the impact of compliance on construction and maintenance of facilities. In addition, AIC states, public education warns consumers of governmental fines for actions impacting protected or endangered species, and provides details on measures taken to minimize the environmental, safety and reliability risks associated with bird mortality, collisions and nesting.

AIC relates that the AG, in its briefing, refuses to believe that the materials are educational, claiming that they lack essential information. AIC notes the AG believes that there should be more information on the impact of avian protection upon the construction of distribution facilities, and wants to see proof of problems from bird interference and that electric facilities endanger birds. AIC observes the AG faults AIC for not providing the actual requests from outside entities for AIC to attend public school demonstrations and outreach events. Most incredibly, AIC notes the AG claims that there is no evidence linking bird interference to service interruptions. If the AG remains skeptical about the dangers of bird interference to the safety and reliability of delivery service, AIC contends these misgivings should have been presented in testimony, so that AIC could address them. But AIC maintains that even these doubts do not satisfy the AG's burden to prove that the materials were primarily designed to improve AIC's image. AIC argues the evidence in the record, which was not disputed, shows that AIC created materials to assist in the education of the public on the benefits of avian protection. AIC asserts the circumstances surrounding the use of the materials matter. AIC states it is practical and reasonable to display these types of materials at a table or booth manned by AIC at a public event. AIC contends the fact that the AG can concoct more information it would like to see included is not fatal to cost recovery.

AIC points out that Mr. Brosch claims that AIC uses the Avian Protection outreach materials "to tell the public that Ameren cares about the world we live in" and "to enhance its environmental reputation." AIC argues that claim does not hold water. AIC states the record shows that the public schools, governmental agencies and environmental groups with whom AIC partners specifically request AIC's participation to educate attendees. AIC notes there is no evidence of intent to improve AIC's image through the display of these materials at events. AIC maintains these materials do not constitute a concerted, covert plan to enhance AIC's "environmental reputation."

The Company explains the messages concerning workplace diversity are part of AIC's efforts to develop and maintain a culture in which employees are recruited, retained, respected and recognized for their unique contributions to the success of the company and the service to the customers. AIC states it presented evidence that showed the

primary design of the employment-related advertisements—to develop and maintain a culture in which employees are recruited, retained, respected, and recognized for their unique contributions to the success of the Company and the service of customers. AIC explains the materials include a series of print ads designed to promote and attract a high-quality, culturally-diverse workforce; these ads encouraged viewers to visit the Ameren.com/careers website to learn more about available opportunities. AIC states it displayed these ads at various events and in newspapers, magazines, and program booklets to educate prospective employees on AIC's corporate values and career opportunities. AIC points to additional ads on AIC's support for the STEm pact educational programs and its commitment to diversity in its hiring practices and supplier selection, as well as interior signs and banners, both at Ameren Corporation's office in St. Louis and at the Research Park, University of Illinois at Urbana-Champaign, which seek to inspire employees and students. AIC contends these messages serve a legitimate business purpose: to recruit and retain a talented, diverse workforce.

AIC points out that advertising concerning the utility's employment opportunities is expressly recoverable under Section 9-229(3)(d) of the Act. 220 ILCS 5/9-229(3). AIC explains that fostering diversity means more than just basic compliance with existing laws; it means actively promoting and ensuring equal opportunity for all employees, prospective employees and the public at large. AIC states it wants to provide a full and fair opportunity for prospective employees to pursue a career, regardless of non-merit factors such as race, ethnicity or gender, and to enable all employees to carry out their duties in the workplace, free from discrimination. AIC explains that the educational ads at issue here inform potential employees, and the public at large in its service territory, that AIC actively encourages and promotes a culture of diversity and inclusion in its workplace.

AIC notes that Mr. Brosch claims the advertisements “are designed to simply make the Company look good,” while providing no benefits to electric customers. AIC states that is not the case. The materials, AIC explains, serve legitimate business purposes: the recruitment of employees, the retention of employees, and the research on new, innovative products and services. AIC states that there are benefits of having diversity in the workplace or inspired young workers in the research laboratory: increased productivity, increased creativity, increased adaptability and the development of a wide range of skills, new ideas and experiences. AIC explains that a diverse and inspired workforce positions AIC to understand and react to the needs of a wide range of customers and to recruit and retain talent in an increasingly competitive labor market.

AIC states the AG remains dissatisfied with the quality of information included in the ads. AIC observes the AG argues that the advertisements speak in general terms, without mentioning specific job openings. However, AIC argues, the AG's position, namely that these advertisements do not concern “employment opportunities,” simply is not tenable. 220 ILCS 5/9-225(3)(d). AIC explains that the “Respect” and “Diversity” ads refer their targeted audience to the webpage Ameren.com/careers. That the ads do not have information in real time on available job openings makes sense, according to AIC; these are print advertisements, not updated webpages. AIC states the ads are recruitment tools; that fact alone makes them employment-related. AIC maintains the lack

of a job posting does not prove that the ad is designed to be image enhancing.

AIC states the digital banner display advertisements on improving reliability inform customers about EIMA infrastructure improvements to the electric distribution system. The Company explains that the purpose of the advertisements is to educate AIC customers on system improvements that are improving overall reliability (through fewer and shorter outages) and saving customers money. AIC points out that the Commission previously permitted AIC to recover the production costs of some of the same digital ads at issue in this proceeding. And AIC explains that other digital ads have an even more localized focus on improvements in specific operating areas. AIC states that the other EIMA video and print advertisements have the same goal: to support a message of reliable energy service for customers and raise their awareness of Ameren Illinois energy reliability initiatives.

AIC notes the AG's brief argues that "generic celebrations of Ameren's commitment to diversity do not count as related to employment opportunities...." AIC observes the AG further believes that "respect for employees and a commitment a diverse workforce that mirrors the community" are "laudable goals" that "do not need to be advertised." However, AIC argues the AG's disallowance does not just discount the importance of using the ads as recruitment tools; the AG's brief discounts the importance of promoting diversity in general. AIC states that, while the AG may discount the benefits of diversity, AIC and the Commission do not. AIC points to Mr. Kennedy's testimony: "We want to provide a full and fair opportunity for all prospective employees to pursue a career at Ameren Illinois, regardless of non-merit factors such as race, ethnicity or gender. We want to enable all employees to carry out their duties in the workplace, free from discrimination." (Ameren Ex. 11.0 at 16:355-58.) AIC notes the Commission, through its Office of Diversity and Community Affairs, shares a similar goal: to develop and maintain a "culture of diversity and inclusion" in its workplace. See <https://www.icc.illinois.gov/odca/>. AIC states the Public Utilities Act recognizes that increasing diversity in suppliers is a legitimate business undertaking for utilities. 220 ILCS 5/5-117. AIC maintains the advertisements at issue promote equal opportunity for all employees, prospective employees and the public at large. AIC contends the fact that AIC openly embraces diversity in hiring in no way shows that these ads are goodwill in nature.

AIC states it also presented evidence that showed the primary design of EIMA-related advertisements: to inform customers on infrastructure improvements to the electric distribution systems that are improving overall reliability (through fewer and shorter outages) and saving customers money. AIC notes the materials included digital banner display advertisements on improving reliability that link to specific AmerenIllinois.com webpages; the Commission previously allowed AIC to recover costs associated with these ads. AIC states other digital banner display advertisements, again linking to AIC's website, were designed to encourage customers to click for more information on projects improving reliability in specific communities. AIC explains that video advertisements described improved reliability and storm readiness, and a print advertisement focused on infrastructure enhancement work in the Metro East area. AIC states these ads share a common goal: to support a message of reliable energy service for customers and to raise their awareness of improvements to the electrical grid through

Ameren Illinois' reliability initiatives.

AIC states that in Docket 15-0305, the Commission found EIMA-related infrastructure improvement advertising qualifies for rate recovery. AIC relates that the Commission found that this type of advertising has an educational purpose, is not designed primarily to improve AIC's image, and are also in the best interest of the consumer. In that proceeding, AIC states the Commission held the AG did not present enough evidence to show that the promotional aspects of the ads outweigh the ads' purpose of consumer education. "Because the AG has presented only conclusory statements, it has not shown that these ads are goodwill and, as such, has failed to meet its statutory burden." *Ameren Ill. Co.*, Docket 15-0305, Order at 47 (Dec. 9, 2015).

AIC notes the Commission further found in Docket 15-0305 that "the record shows that the primary purpose of AIC's EIMA-related infrastructure improvement ad campaign is to educate customers, not to enhance the public image of AIC despite any ancillary benefits of this kind." *Id.* The ads are "designed primarily to inform and engage customers on AIC's efforts to fulfill its EIMA investment requirements," the Commission held. *Id.* AIC observes the Commission stated the lack of familiarity with and knowledge of changes to the electrical grid "indicates a need for further education with respect to how EIMA regulations and infrastructure improvement projects impact customers." *Id.* at 48. Consumer education is "a critical component in the State's efforts to modernize electrical infrastructure, with an emphasis on the importance of such education in constructing a 21st century grid for Illinois." *Id.* And "it is important for Ameren customers to be informed of AIC's EIMA-related investments, their impact on system reliability, and the other customer benefits involved." *Id.*

AIC notes Mr. Brosch alleges that the EIMA advertisements make "generalized claims" that serve no legitimate business purpose. AIC states the AG's Initial Brief complains that the challenged advertisements "appear generally intended to extol Ameren's strong or improving reliability, without conveying any more specific details...." AIC relates that the AG stated the advertisements do not discuss specific infrastructure projects, and appear to feature "friendly imagery of Ameren personnel and physical assets." AIC maintains that is not true. AIC explains these advertisements are not a form of general advertising. AIC states they seek a direct response from consumers. AIC explains that they target customers located in specific communities, inform customers about the increased spending to install infrastructure improvements to improve reliability in their specific communities, and provide customers with an efficient and effective way to easily access more information about specific EIMA projects that affect service in their city or neighborhood. AIC acknowledges they do not provide customers information on every aspect of current pending projects, and some may be of short duration. But AIC maintains the length of the ad and the level of detail included, in this instance, do not establish that the ad is image enhancing. Rather, AIC argues the context of the ad matters, the point of digital ads matters, the placement of the print ad matters, and the intended reach of the video ad matters. AIC explains that the hope is that customers who view these messages will take advantage of available online resources and customer convenience programs, and be better informed about how resources are being invested to improve the overall reliability of the energy grid. AIC contends this intention—to inform

and engage customers on EIMA projects—makes the related expenses recoverable.

AIC states that the reliability advertisements identified by Mr. Brosch are the same or similar to EIMA advertisements that the Commission found in Docket 15-0305 were eligible for cost recovery. AIC states that the Commission should make a similar conclusion in this proceeding, namely that AIC's customers are not adequately informed on the utility's EIMA investments and targeted advertising that seeks to bridge that gap in knowledge should be a recoverable cost.

For these reasons, AIC states, the Commission should reject the AG's adjustments to remove additional advertising costs. AIC states it has agreed to remove a significant amount of advertising expenses from the revenue requirement, including expenses incurred to publish the "Stronger" and "Preparation" advertisements at issue in Docket 15-0305. AIC insists the evidence in the record demonstrates that the other expenses that the AG seeks to disallow on Avian Protection, Workplace Diversity and EIMA reliability investments should be recovered in rates.

b. AG Position

c. IIEC/CUB Position

d. Commission Conclusion

In Docket 15-0305, the Commission elaborated on the burden that must be met to support the disallowance of an advertising expense. "The Act requires that for each of the disallowed categories of advertising, there must be sufficient evidence in the record on the 'purpose' or 'design' of the advertisement." *Ameren Ill. Co.*, Docket 15-0305, Order at 46 (Dec. 9, 2015). "[T]he party proposing the adjustment to a 'goodwill' advertisement must show that 'the promotional aspect of the advertisement outweighs the message of the advertisement.'" *Id.*, quoting *ComEd*, Docket 11-0721, Order at 102, (May 29, 2012). "In other words, while the burden to establish the reasonableness of an expense is initially on the utility, it shifts to the party proposing the adjustment ... to establish that the ads were 'designed primarily' to improve the image of the utility." *Id.* The evidence must show that the main purpose of the challenged advertising was to promote AIC's image. *Id.* That the advertisement may provide a favorable impact to the utility's image, which was ancillary to the message, is not determinative. *Id.*

In this proceeding, the AG has failed to meet its burden. In each instance, the evidence in the record shows that the challenged advertisements were created for a legitimate business purpose. The posters, brochure and banners for avian protection were displayed at public school demonstrations and outreach events on electric safety that AIC had been invited to attend. The print advertisements on diversity and respect in the workplace served as recruitment tools. The digital, print and video advertisements on EIMA reliability investments targeted customers in particular areas to increase awareness of grid improvements. The AG has not identified sufficient credible evidence that these materials were primarily designed to improve AIC's image. The Commission agrees that the questions that doubts that the AG raises in its briefing are both untimely and

insufficient to satisfy the AG's burden to support its proposed disallowances. For these reasons and based on the evidence and arguments provided by AIC, the Commission declines to adopt the AG's additional advertising adjustments.

B. Uncontested or Resolved Issues

In direct testimony, AIC described an adjustment it intended to make in rebuttal to remove a charitable contribution expense. The adjustment was made in rebuttal and no party contested it. The Commission finds this adjustment is reasonable and uncontested, and it will be adopted for purposes of this proceeding.

1. Stipulation

a. Rate Case Expense

AIC requested recovery of \$1,106,098 in rate case expenses incurred in 2015 for attorney and expert services related to the Company's formula rate update cases that year, per 220 ILCS 5/16-108.5(d). AIC explained that this total includes costs for services related to Dockets 13-0301, 14-0317, 15-0305, and the instant proceeding, Docket 16-0262. The total also reflects agreed adjustments to inadvertently incorrectly recorded rate case expenses.

Section 9-229 of the Public Utilities Act requires the Commission to assess the justness and reasonableness of AIC's rate case expenses. 220 ILCS 5/9-229. In 2015, the Commission adopted its Part 288 Rules, which are intended to guide this assessment. 83 Ill. Admin. Code, Part 288; *Ill. Commerce Comm'n on its own Mtn.*, Docket 11-0711, Final Order at 1 (June 3, 2015). The Commission finds that, consistent with this authority, AIC supplied for the Commission's review extensive documentation supporting the justness and reasonableness of its current rate case expenses, as explained below. The Commission further finds that IAWC has otherwise complied with Part 288's requirements, as also explained below.

AIC explained its rate case expense is composed of expenses for: (i) legal counsel, provided by Whitt Sturtevant; (ii) cash working capital analysis and support for the Minimum Filing Requirements, provided by Concentric; and (iii) expert testimony and analysis regarding complex regulatory tax issues, provided by Miller & Chevalier. (Ameren Ex. 1.0 at 49-52.) AIC explained the services each firm provided, why the work was prudent, and why AIC chose the professionals it did to perform the rate case work, including their qualifications and the reasonableness of their fees. (*Id.*)

Part 288 governs the recovery of rate case expenses incurred for work conducted by outside and affiliate professionals. 83 Ill. Admin. Code 288.10. AIC also supplied the information required by the Part 288 Rule. See 83 Ill. Admin. Code 288.40(a). As required by Part 288, AIC provided in its direct case this information to assist Staff and other parties in developing a recommended amount of rate case expense:

- Testimony and discovery describing the terms of engagement between AIC and outside counsel and technical experts, and their

support staff, which describe the nature of the services provided, the individuals who provided the services, and the hourly rates for the services, including whether certain overhead expenses were excluded from those rates, 83 Ill. Admin. Code 288.30(a)(1), (d); (Ameren Exs. 1.0 at 49-52; 1.10 (C&P));

- Invoices related to outside counsel services, which indicate the services provided, the individuals who provided them, the time spent providing the services, and the applicable hourly rates, 83 Ill. Admin. Code 288.30(a)(2), 288.30(b)(2); (Ameren Ex. 9.1 (C&P));
- Invoices related to outside technical expert services, which indicate the services provided, the individuals who provided them, the time spent providing them, and the applicable hourly rates, 83 Ill. Admin. Code 288.30(a)(3), 288.30(b)(2); (Ameren Ex. 1.11 (C&P));
- Documentation related to services provided by employees of Ameren Services Company, which indicate the services provided, the title of the employee who provided the services, the time spent providing the services on a daily basis, the hourly rate (without a gross-up for benefits), and the resulting total amounts charged, 83 Ill. Admin. Code 288.30(a)(6); (Ameren Exs. 7.1; *see also generally* Ameren Ex. 7.0 at 2-8) (describing procedures AMS and AIC instituted in 2015 to comply with Part 288); 1.0 at 56 (discussing documentation));
- Schedules C-10 and C-10.1, 83 Ill. Admin. Code 288.30(b)(1);
- Explanations of the processes, procedures, and controls AIC used to ensure that the work performed by outside professionals did not duplicate work performed by AIC personnel, and to ensure that bills from outside professionals are accurate, reasonable and not redundant before payment is made, 83 Ill. Admin. Code 288.30(b)(3)-(4); (Ameren Exs. 1.0 at 52-55; 9.0, ¶ 9); and
- Explanations of the reasonableness of the fees paid to outside professionals, considering the factors enumerated in 83 Illinois Administrative Code 288.40, such as the nature and extent of the work required, the skill required, and the professionals' credentials, 83 Ill. Admin. Code 288.30(b)(5); (Ameren Ex. 1.0 at 49-52, 55).

AIC also provided with its direct case a schedule summarizing its rate case expense. (Ameren Ex. 1.9.) And, consistent with Part 288, AIC provided the affidavit of Matthew R. Tomc, Esq., describing the procedures and controls that ensure that the rate case services that AIC receives from outside professionals are reasonable and are provided at reasonable cost. (Ameren Ex. 9.0, ¶¶ 8-11; *see also* Ameren Ex. 1.0 at 48.) Mr. Tomc attested that the compensation paid to outside and affiliate professionals for

their rate case work is supported by billings or other documentation that are true and accurate; that the support costs were reasonable to prepare and litigate the rate case; that the expense was reviewed and approved by AIC management prior to payment; and that the support costs are not duplicative. (Ameren Ex. 9.0, ¶ 12.)

Finally, as explained and as required by Part 288, AIC submitted all of the documentation supporting its requested recovery of rate case expense—including testimony, summary schedules, requests for proposals from outside professionals, engagement agreements, invoices, and discovery responses—for the evidentiary record to aid the Commission’s assessment of the expense. See 83 Ill. Admin. Code 288.30(f); (Ameren Exs. 1.0 at 49; 1.9; 1.10 (C&P); 1.11 (C&P); 1.12; 7.0; 7.1; 9.0; 9.1 (C&P)). Additionally, the Commission finds that the work product of the professionals that performed the rate case work, including AIC’s testimony, exhibits, and legal filings on the Commission’s e-Docket system in Dockets 13-0301, 14-0317, 15-0305 and 16-0262, further support the justness and reasonableness of the rate case expense.

In light of the substantial record evidence supporting the justness and reasonableness of AIC’s rate case expenses, the Company’s compliance with Part 288, and the recommendation of Staff regarding AIC’s rate case expense reflected in the Stipulation between AIC and Staff, the Commission approves the above, uncontested level of rate case expense.

The Commission has considered the costs expended by AIC to compensate attorneys and technical experts to prepare and litigate rate case proceedings and assesses that the amount included as rate case expense in the revenue requirements of \$1,106,098 is just and reasonable pursuant to Section 9-229 of the Act. This amount includes the following costs incurred in 2015: (1) \$12,108 associated with Docket No. 13-0301; (2) \$18,021 associated with Docket No. 14-0317; (3) \$1,061,181 associated with Docket No. 15-0305; and (4) \$14,788 associated with Docket No. 16-0262. The Commission also finds that no additional expense was incurred in 2015 for Docket No. 12-0293 and the unamortized balance of rate case expense for Docket No. 12-0001 is zero.

b. Staff Advertising Adjustments

Staff witness Everson proposed an adjustment to reduce advertising expense for advertising concerning charitable causes. The Company stated that the advertisements educated the public, including civic leaders and local organizations, on the ways that AIC supports charitable and public interest events through funding and volunteering, but to limit the number of contested issues in this proceeding, the Company agreed to remove the expenses that Ms. Everson identified from the revenue requirement. Staff and the Company entered into a stipulation pursuant to which the Company accepted Ms. Everson’s adjustment. In addition, the Company removed certain other expenses for charitable advertising identified by AG witness Brosch in its rebuttal schedules. The Commission finds these adjustments are reasonable and uncontested, and they will be

adopted for purposes of this proceeding.

C. Recommended Operating Revenues and Expenses

1. Filing Year

AIC's proposed total filing year operating revenues and expenses are shown on Ameren Exhibit 10.1, Schedule FR A-1.

2. Reconciliation Year

AIC's proposed total reconciliation year operating revenues and expenses are shown on Ameren Exhibit 10.1, Schedule FR A-1 REC.

IV. RATE BASE

A. Uncontested or Resolved Issues

1. Stipulation

a. Cash Working Capital

In its direct filing, AIC applied an expense lead of negative 201.45 days to the miscellaneous expense related to the insurance premium tax. In responding to discovery, it was determined that an expense lead of negative 253.45 days was more representative than the negative 201.45-day lead. Staff proposed an adjustment and AIC agreed the adjustment was appropriate. Staff and AIC entered into a stipulation resolving this issue. The Commission finds that the agreed adjustment is appropriate, and it will be adopted for purposes of this proceeding.

B. Original Cost Determination

Staff witness Pearce accepted the Company's recommended original cost determination, and recommended the following language for inclusion in the Commission's order:

the Commission, based on AIC's proposed original cost of plant in service as of December 31, 2015, before adjustments, of \$6,200,135,000 and reflecting the Commission's determination adjusting that figure, unconditionally approves \$6,200,135,000 as the composite original jurisdictional distribution services plant in service as of December 31, 2015.

The Company and Staff entered into a stipulation in which they agreed to this language. The Commission finds the proposed original cost determination is appropriate, and it will be adopted for the purposes of this proceeding. Specific original cost findings

are included below, in the Commission's Findings and Orderings paragraphs.

C. Recommended Rate Base

1. Filing Year

AIC's proposed rate base for the filing year is shown on Ameren Exhibit 10.1, Schedule FR A-1.

2. Reconciliation Year

AIC's proposed rate base for the reconciliation year is shown on Ameren Exhibit 10.1, Schedule FR A-1 REC. The return on equity collar adjustment is \$0, as shown on Ameren Exhibit 10.1, Schedule FR A-3.

V. COST OF CAPITAL AND RATE OF RETURN

A. Uncontested or Resolved Issues

1. Stipulation

a. Weighted Average Cost of Capital

AIC entered into a stipulation with Staff, in which they agreed that the percentage used to calculate AIC's rate of return will be calculated to three decimal places to the right of the decimal sign. The parties agreed that this agreement would not prejudice Staff in proposing that the rate of return be calculated to two decimal places in future cases, and that it would not be construed as a Commission finding on the merits as to the appropriate number of decimal places to be used in the calculation. The Commission will use three decimal places to calculate AIC's rate of return in this proceeding, but this does not prejudice Staff's ability to propose use of two decimal places in future proceedings.

B. Recommended Capital Structure, Cost of Capital, and Overall Rate of Return

1. Filing Year

Staff and AIC concur that a hypothetical capital structure should be used in this case, and recommend that the following capital balances and attendant costs should be used to calculate both the filing year and reconciliation year revenue requirements:

	Balance	Weight	Cost	Weighted Cost
Short-Term Debt		0.000%	0.000%	0.000%
Long-Term Debt		48.759%	5.869%	2.862%
Preferred Stock		1.241%	4.979%	0.062%
Common Stock		50.000%	8.638%	4.319%
Bank Facility Costs				0.039%
Total Capital		100.00%		7.282%

The agreed capital structure is the result of constructive and collaborative discussions between Staff, AIC, and IIEC undertaken pursuant to the Commission's Order in Docket 12-0001. In that Order, the Commission encouraged the parties to meet outside of formal proceedings to discuss the ratio of common equity included in AIC's capital structure, and to provide the Commission with a report on the issue. *Ameren III*. Co., Docket 12-0001, Order at 121 (Sept. 19, 2012). AIC states it met with Staff and IIEC toward that end. One result of the meetings is the equity ratio included in the capital structure in this case. Staff and AIC further memorialized their understanding regarding AIC's capital structure in the Report Pursuant to the Order in Docket 12-0001. In Docket 15-0305, the Company's last formula rate update case, the Commission approved the common equity ratio resulting from these collaborative discussions as prudent and reasonable for establishing AIC's electric formula rate revenue requirement. *Ameren III*. Co., Docket 15-0305, Order at 55-56 (Dec. 9, 2015). The Commission again finds the agreed common equity ratio prudent and reasonable for establishing AIC's electric formula rate revenue requirement in this case. The above capital structure and costs are approved.

2. Reconciliation Year

See supra, Section IV.B.1.

VI. RECONCILIATION

The calculation of the reconciliation with interest is summarized on Ameren Exhibit 10.1, Schedule FR A-4.

VII. RECOMMENDED REVENUE REQUIREMENT

The Commission finds, based on the determinations presented above on the various contested and uncontested issues, that the appropriate revenue requirement for the filing year is shown on Ameren Exhibit 10.1, Schedule FR A-1. The Commission further finds, based on the determinations presented above on the various contested and uncontested issues, that the appropriate revenue requirement for the reconciliation year is shown on Ameren Exhibit 10.1, Schedule FR A-1 REC.

The Commission notes that AIC's reconciliation revenue requirement includes capital dollars associated with a plant addition project known as Data Center Capacity Additions. AIC explained that project had been estimated to go into service in April 2016, but in preparing responses to discovery, AIC determined that the project was placed in-service in December 2015. No party contested this adjustment, and it is adopted for purposes of this proceeding.

Second, the Commission notes Staff proposed the Order include language and a table detailing the actual and projected plant additions by categories. AIC had no objection to Staff's proposed language or the table detailing the actual and projected plant additions. Staff's proposal is adopted, and the Commission will therefore include in its Order the following conclusion:

The Commission is setting a revenue requirement in this proceeding for the recovery of \$126.8 million in actual 2015 plant additions and \$96.6 million of projected 2016 plant additions in compliance with Section 16-108.5. The detail of these actual and projected plant additions by categories as required by Section 16-108.5(b)(2) are as follows:

	<u>Category</u>	<u>Actual</u> <u>(in Millions)</u>				<u>Projected</u> <u>(in Millions)</u>	<u>Cumulative</u> <u>(in Millions)</u>
		2012 ¹	2013 ²	2014 ³	2015 ⁴	2016 ⁵	
(A)(i)	Distribution Infrastructure Improvements	\$7.3	\$3.5	\$26.1	\$54.8	\$34.1	\$125.8
(A)(ii)	Training Facility Construction or Upgrade Projects	\$5.8	\$1.6	\$0.0	\$0.0	\$0.0	\$7.4
(A)(iii)	Wood Pole Inspection, Treatment, and Replacement	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
	Total Electric System Upgrades, Modernization Projects, and Training Facilities	<u>\$13.1</u>	<u>\$5.1</u>	<u>\$26.1</u>	<u>\$54.8</u>	<u>\$34.1</u>	<u>\$133.2</u>

¹ Docket 15-0305, Order at 58

² *Id.*

³ *Id.*

⁴ Ameren Exhibit 6.1

⁵ *Id.*

	<u>Category</u>	<u>Actual (in Millions)</u>				<u>Projected (in Millions)</u>	<u>Cumulative (in Millions)</u>
(B)(i)	Additional Smart Meters	\$0.0	\$0.4	\$51.0	\$48.4	\$37.0	\$136.8
(B)(ii)	Distribution Automation	\$6.5	\$5.6	\$20.1	\$19.7	\$23.1	\$75.0
(B)(iii)	Associated Cyber Secure Data Communications Network	\$0.0	\$2.5	\$2.8	\$2.2	\$1.0	\$8.5
(B)(iv)	Substation Micro-processor Relay Upgrades	<u>\$0.3</u>	<u>\$0.0</u>	<u>\$2.5</u>	<u>\$1.7</u>	<u>\$1.4</u>	<u>\$5.9</u>
	Total Upgrade and Modernization of Transmission and Distribution Infrastructure and Smart Grid System Upgrades	<u>\$6.8</u>	<u>\$8.5</u>	<u>\$76.4</u>	<u>\$72.0</u>	<u>\$62.5</u>	<u>\$226.2</u>
	Total Plant Additions in Compliance with Section 16-108.5(b)(2) of the Act	<u>\$19.9</u>	<u>\$13.6</u>	<u>\$102.5</u>	<u>\$126.8</u>	<u>\$96.6</u>	<u>\$359.4</u>

Finally, the Commission notes AIC stated its proposed pricing will allow it to recover its proposed revenue requirement, using the methods established in Docket 13-0476. AIC explained that, generally speaking, the proposed decrease in the net revenue requirement will result in lower delivery service charges. AIC stated its rate design as proposed in this proceeding moves additional classes and subclasses to uniform delivery service pricing, including the DS-1 class in all Rate Zones. The Company recommended that the existing Participation Charge related to Power Smart Pricing be continued, but decreased from \$0.08 to \$0.06. No party contested AIC's cost of service, rate design, or pricing proposals; therefore, these proposals are adopted for purposes of this proceeding.

VIII. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Ameren Illinois Company d/b/a Ameren Illinois is an Illinois

corporation engaged in the distribution and sale of electricity and natural gas to the public in Illinois, and is a public utility as defined in Section 3-105 of the Act;

- (2) the Commission has jurisdiction over the parties hereto and the subject matter herein;
- (3) the recitals of fact and conclusions of law reached in the Commission conclusions of this Order are supported by the evidence of record, and are hereby adopted as findings of fact and conclusions of law; the Appendices attached hereto provide supporting calculations for the approved rates;
- (4) Ameren Illinois Company d/b/a Ameren Illinois' proposed update to its Rate MAP-P should be approved, subject to the conclusions contained herein;
- (5) the rates herein found to be consistent with Public Acts 97-0616, 97-0646, and 98-0015 are based on Ameren Illinois Company d/b/a Ameren Illinois' FERC Form 1 for 2015;
- (6) for purposes of this proceeding, the net original cost rate base for Ameren Illinois Company d/b/a Ameren Illinois' electric delivery service operations is \$2,434,322,000 for the 2015 reconciliation year and \$2,555,711,000 for the 2016 filing year;
- (7) the rate of return which Ameren Illinois Company d/b/a Ameren Illinois should be allowed to earn on its net original cost rate base is 7.282% for the 2015 reconciliation year; this rate of return incorporates a return on common equity of 8.638%;
- (8) the rate of return which Ameren Illinois Company d/b/a Ameren Illinois should be allowed to earn on its net original cost rate base is 7.282% for the 2016 filing year; this rate of return incorporates a return on common equity of 8.638%;
- (9) the rates of return set forth in Findings (7) and (8) result in base rate electric delivery service operating revenues of \$1,015,855,000 (reflecting the reconciliation and ROE Collar adjustments) and net annual operating income of \$186,107,000, as shown in Appendix A;
- (10) Ameren Illinois Company d/b/a Ameren Illinois' electric delivery service rates which are presently in effect generate operating income in excess of the amount necessary to permit the company the opportunity to earn a fair and reasonable return on net original cost rate base consistent with Public Acts 97-0616, 97-0646, and 98-

0015; these rates should be permanently canceled and annulled;

- (11) the specific rates proposed by Ameren Illinois Company d/b/a Ameren Illinois in its initial filing do not reflect various determinations made in this Order regarding revenue requirement;
- (12) Ameren Illinois Company d/b/a Ameren Illinois should be authorized to place into effect amended Rate MAP-P Informational Sheets, consistent with the findings of this Order;
- (13) Ameren Illinois Company d/b/a Ameren Illinois should be authorized to place into effect the Rate MAP-P tariff informational sheets designed to produce annual base rate electric delivery service revenues of \$1,015,855,000, which represents a decrease of \$14,420,000 or 1.40%; such revenues, in addition to other tariffed revenues, will provide Ameren Illinois Company d/b/a Ameren Illinois with an opportunity to earn the rates of return set forth in Findings (7) and (8) above; based on the record in this proceeding, this return is consistent with Public Acts 97-0616, 97-0646, and 98-0015;
- (14) the new charges authorized by this Order shall take effect beginning on the first billing day of the January billing period following the date of the Final Order in this proceeding; the tariff sheets with the new charges, however, shall be filed no later than December 16, 2016, with the tariff sheets to be corrected thereafter if necessary;
- (15) the Commission, based on Ameren Illinois Company d/b/a Ameren Illinois' proposed original cost of plant in service as of December 31, 2015, before adjustments, of \$6,200,135,000 and reflecting the Commission's determination adjusting that figure, unconditionally approves \$6,200,135,000 as the composite original jurisdictional distribution services plant in service as of December 31, 2015; and
- (16) all motions, petitions, objections, and other matters in this proceeding which remain unresolved should be disposed of consistent with the conclusions herein.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the tariff sheets at issue and presently in effect for electric delivery service rendered by Ameren Illinois Company d/b/a Ameren Illinois are hereby permanently canceled and annulled effective at such time as the new electric delivery service tariff sheets approved herein become effective by virtue of this Order.

IT IS FURTHER ORDERED that Ameren Illinois Company d/b/a Ameren Illinois is authorized to file new tariff sheets with supporting workpapers in accordance with Findings (12) and (13) of this Order, applicable to electric delivery service furnished on

and after the effective date of said tariff sheets.

IT IS FURTHER ORDERED that Ameren Illinois Company shall update its formula rate in accordance with this Order.

IT IS FURTHER ORDERED that all motions, petitions, objections, and other matters in this proceeding which remain unresolved are disposed of consistent with the conclusions herein.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this ____ day of _____, 2016.

Dated: October 13, 2016

Respectfully submitted,

AMEREN ILLINOIS COMPANY

d/b/a/ Ameren Illinois

/s/ Albert D. Sturtevant

One of its attorneys

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CERTIFICATE OF SERVICE

I, Albert D. Sturtevant, an attorney, certify that on October 13, 2016, I caused a copy of the foregoing *Position Statement and Suggested Conclusions of Ameren Illinois Company* to be served by electronic mail to the individuals on the Commission's Service List for Docket 16-0262.

/s/ Albert D. Sturtevant

Attorney for Ameren Illinois Company
d/b/a Ameren Illinois